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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA,)	No. CR-18-577 CRB
)	
Plaintiff,)	
)	DECLARATION OF KRISTINA GREEN IN
v.)	SUPPORT OF GOVERNMENT'S MOTION <i>IN</i>
)	<i>LIMINE</i> : TO EXCLUDE EXPERT TESTIMONY OF
MICHAEL RICHARD LYNCH AND)	JOHN LEVITSKE
STEPHEN KEITH CHAMBERLAIN,)	
)	
Defendant.)	
)	

I, Kristina Green, declare and state as follows:

1. I am an Assistant United States Attorney for the Northern District of California assigned to the prosecution of the above-captioned case.

2. Attached hereto as Exhibit A is a true and correct copy of the expert report of Mr. John Levitske, served on December 7, 2023 ("Levitske Report 1").

3. Attached hereto as Exhibit B is a true and correct copy of the revised expert report of Mr. John Levitske, served on March 13, 2024 (“Levitske Report 2”).

4. Attached hereto as Exhibit C is a true and correct copy of an excerpt of the pretrial hearing transcript from February 21, 2024.

5. Attached hereto as Exhibit D is a true and correct copy of Attachment B.1 (linked transactions) to Levitske Report 2, which highlights the changes in this attachment compared to Levitske Report 1.

6. Attached hereto as Exhibit E is a true and correct copy of Attachment C.1 (VAR transactions) to Levitske Report 2, which highlights the changes in this attachment compared to Levitske Report 1.

7. Attached hereto as Exhibit F is a true and correct copy of Attachment F.1 (multi-period hosting transactions) to Levitske Report 2, which highlights the changes in this attachment compared to Levitske Report 1.

8. Attached hereto as Exhibit G is a true and correct copy of the supplemental rebuttal report of Mr. Steven Brice, served on April 24, 2024 (“Brice Rebuttal Report”).

I declare under penalty of perjury that the above is true and correct to the best of my knowledge.

DATED: April 25, 2024

/s/
KRISTINA GREEN
Assistant United States Attorney

Exhibit A

UNITED STATES OF AMERICA

v.

MICHAEL RICHARD LYNCH AND STEPHEN KEITH CHAMBERLAIN

EXPERT REPORT OF JOHN LEVITSKE

December 7, 2023

ON BEHALF OF: Michael Richard Lynch

PREPARED FOR: Clifford Chance US LLP

John Levitske

December 7, 2023



HKA Global, LLC
300 South Wacker Drive
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APPENDICES

APPENDIX 1 – JOHN LEVITSKE RESUME

APPENDIX 2 – LIST OF DOCUMENTS RELIED UPON

ATTACHMENTS

ATTACHMENT A - ADJUSTMENTS FOR HARDWARE TRANSACTIONS Q1 - Q2 2010 COMPARED TO Q1 - Q2 2011

ATTACHMENT B - ADJUSTMENTS FOR ALLEGED LINKED TRANSACTIONS Q1 - Q2 2010 COMPARED TO Q1 - Q2 2011

ATTACHMENT C - ADJUSTMENTS FOR VAR TRANSACTIONS Q1 - Q2 2010 COMPARED TO Q1 - Q2 2011

ATTACHMENT D - SAMPLE OF REPRESENTATIVE MULTI-PERIOD HOSTING TRANSACTIONS - COMPARISON OF ANNUAL REVENUE RECOGNITION UP-FRONT VS. RATABLY - SAMPLE TRANSACTIONS FROM BRICE REPORT TABLE 2.10

ATTACHMENT E - MULTI-PERIOD HOSTING TRANSACTIONS - REVENUES AS ADJUSTED

ATTACHMENT F – ADJUSTMENTS FOR MULTI-PERIOD HOSTING TRANSACTIONS Q1 - Q2 2010 COMPARED TO Q1 - Q2 2011

ATTACHMENT G – ADJUSTMENTS FOR HARDWARE, LINKED, VAR, AND MULTI-PERIOD HOSTING TRANSACTIONS Q1 - Q2 2010 COMPARED TO Q1 - Q2 2011

1. INTRODUCTION

- 1.1.1 HKA was retained by Clifford Chance US LLP, counsel for Dr. Michael Richard Lynch in this matter. I, John Levitske, a Partner at HKA, was asked to serve as a defense expert to advise regarding valuation process and relevant considerations in the process related to the acquisition of a former software company called Autonomy Corporation plc (“Autonomy”) by Hewlett Packard Company (“HP”).

1.2 QUALIFICATIONS

- 1.2.1 I, John Levitske, CFA, ASA, CPA/ABV/CFF/CGMA, CIRA, MCFLC, MBA, JD, am currently employed as a Partner of HKA Global, LLC (“HKA”), based in the company’s Chicago, Illinois office. My office contact information is: 300 South Wacker Drive, Suite 2600, Chicago, Illinois, USA; email johnlevitske@hka.com; telephone +1.312.521.7484.
- 1.2.2 I am a business appraiser, financial analyst, and forensic accountant with more than 35 years of experience. I am experienced in the valuation of companies and stakeholder interests.
- 1.2.3 I am a member of HKA’s Forensic Accounting and Commercial Damages practice. HKA is a global consultancy in risk mitigation, dispute resolution, expert witness, and litigation support with more than 1,000 consultants, experts, and advisors in over 50 offices across 18 countries. The United States headquarters of HKA is in Philadelphia, Pennsylvania and the global headquarters is in London, England. Further information regarding HKA is at www.HKA.com.
- 1.2.4 I hold several professional credentials in business valuation, finance, and forensic accounting: Chartered Financial Analyst (CFA) by the CFA Institute; Accredited Senior Appraiser (ASA) in Business Valuation by the American Society of Appraisers; Accredited in Business Valuation (ABV), Certified in Financial Forensics (CFF), and Chartered Global Management Accountant (CGMA) by the American Society of Certified Public Accountants; and Certified Insolvency and Restructuring Advisor (CIRA) by the Association of Insolvency and Reorganization Advisors. In addition, I am a licensed Certified Public Accountant (licensed in Illinois and Pennsylvania).
- 1.2.5 I attained a Master of Business Administration degree, *cum laude*, from the University of Notre Dame, and Bachelor of Science in Business Administration, with a major in accounting, and Juris Doctor degrees from Duquesne University. I also completed Executive Education in Corporate Valuation at the University of Pennsylvania, Finance at New York University, and Financial Modeling at the University of Georgia.

- 1.2.6 Prior to HKA, I worked with Big Four public accounting, global valuation and corporate financial advisory, and international business advisory and expert consulting firms. I founded a business valuation dispute analysis practice, co-founded an acquisition agreement vetting practice, and was one of the leaders of a post-acquisition dispute practice.
- 1.2.7 I also currently teach as an adjunct faculty member at Benedictine University's Goodwin College of Business in Lisle, Illinois. I previously served as a Chartered Financial Analyst (CFA) Examination grader, and a national exam question writer for the Uniform Certified Public Accountant (CPA) Exam and the American Institute of Certified Public Accountants' Accredited in Business Valuation Exam. I previously taught finance and accounting at the University of Pittsburgh and auditing at Point Park University. In addition, I served as a member of the Standing Committee on Audit of the American Bar Association entity.
- 1.2.8 I have previously been accepted as an expert witness in business valuation, economic damages, and forensic accounting in courts and arbitration proceedings in the United States, the Caribbean and Europe. I was selected several times to *Who's Who Legal (WWL) – Consulting Experts, Financial Advisory and Valuation – Quantum of Damages* and in 2023 as a "Global Leader" in that recognition category. Previously, I was selected to *Leaders League: USA Best Arbitration Support Firms, Leading Firms Tier, Key Figure*, 2019 and *Who's Who Legal: International Arbitration, Commercial Experts*, 2011.
- 1.2.9 Below is a summary of my professional employment history.
- a) HKA Global, LLC, Partner, 2023 - present
 - b) Benedictine University, Adjunct Faculty Lecturer, 2022 - present
 - c) Ankura Consulting Group, Senior Managing Director, 2017 - 2022
 - d) Huron Consulting Group, Senior Director, 2016 - 2017
 - e) Houlihan Lokey, Managing Director, 2014 - 2016
 - f) Duff & Phelps, Managing Director, 2005 - 2014
 - g) Standard & Poor's, a business unit of McGraw-Hill Companies, Managing Director, 2004 - 2005
 - h) FTI Consulting, Director, 2003 - 2004

- i) KPMG, Director, 2000 - 2003
- j) Deloitte, Director, 1995 - 2000
- k) Mark I. Wolk & Associates, CPA's, Director, 1985 - 1995
- l) Group "L" Investors & Developers, Partner, 1980 - 1985
- m) Westinghouse Electric Corporation, Associate Accounting Analyst, 1979 - 1980.

1.2.10 Below is a list of publications I authored or co-authored in the previous 10 years.

- a) "Business Divorce", In Recent Developments in Business and Corporate Litigation, American Bar Association, Business Law Section, 2023, 2022, 2021 and 2020 editions
- b) "Has the Pandemic Increased the Need for Expert Witnesses in M&A Disputes?", American Bar Association, Litigation Section, Expert Witnesses Committee, *December 2021*
- c) "The Independent Accountant or Business Valuator as Advisor to the Mediator", American Bar Association, Litigation Section, Expert Witnesses Committee, *December 2021*
- d) "Measuring Valuation Damages for Breach of Fiduciary Duty Claims in Shareholder Disputes During the COVID-19 Pandemic", *Sound Advice*, July 2021
- e) "Contemporary Considerations for Drafting Buy-Sell and Valuation Provisions in Limited Liability Company Operating Agreements", *Business Law Today*, May 2021
- f) "Innovative Dispute Resolution: The Independent Business Valuator as Advisor to the Mediator in Business Disputes", Ankura.com, *January 2021*
- g) "Internal Corporate Investigations", In *Guide for In-House Counsel*, American Bar Association, Business Law Section, 2020
- h) "Internal Corporate Investigations", *Business Law Today*, Parts 1 and 2, *December 2019 & April 2020*
- i) "Preparing In-House Counsel and External Lawyer Advocates for Effective, Good-Faith Mediation of Mergers & Acquisitions", *Business Law Today*, February 2018

- j) "Reflections on the 1-2-3's of Mediation of a Merger & Acquisition Dispute", *Business Law Today*, July 2017
- k) "Well-Established Principles Key to Expert Witness Testimony", *Paradigm*, July 2017
- l) "Current Dell Appraisal Rights Litigation Case on Appeal in Delaware Chancery Court May Provide Valuation Insights", *Paradigm*, June 2017
- m) "Why It Pays to Invest in Expert Analysis", *Paradigm*, March 2017
- n) "Managing Post-Merger & Acquisition Purchase Price Disputes", In *ADR Handbook for the Business Lawyer*, American Bar Association, Business Law Section, 2016.

1.2.11 Below is a list of other cases in which, during the previous 4 years, I testified as an expert at trial or by deposition.

Year	Forum	Action or Proceeding	Description
2022	Eastern Caribbean Supreme Court, High Court of Justice, Territory of the Virgin Islands, Law Division	Ikana Holdings S. de R.L. v. Putney Capital Management Ltd. et al.	Expert Testimony at Trial
2021	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Trial
2020	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Deposition
2020	Superior Court of New Jersey, Morris County, Law Division	Ashland LLC, International Specialty Products, Inc., and ISP Environmental Services, Inc. v. G-I Holdings Inc., Building Materials Corporation of America d/b/a GAF Materials Corporation and GAF Corporation, et al.	Expert Testimony at Deposition
2020	U.S. Bankruptcy Court, Northern District of Texas, Chapter 11	In re: TriVascular Sales LLC et al., Debtors	Expert Testimony at Deposition

1.3 RETENTION

- 1.3.1 HKA was retained by Clifford Chance US LLP, counsel for Dr. Michael Richard Lynch in this matter. I, John Levitske, a Partner at HKA, was asked to serve as an expert to advise regarding valuation process and relevant considerations related to the acquisition of Autonomy.
- 1.3.2 In this regard, I was asked to consider select asserted revenue adjustments to the interim historical financial statements of Autonomy for the First Half of 2010 (six months ended June 30, 2010) and the First Half of 2011 (six months ended June 30, 2011) ("Subject Period"), and I was asked to render opinions on the following areas in paragraphs 1.3.3 through 1.3.7.
- 1.3.3 The impact of each of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, and the year-over-year percentage change or growth between the First Half of 2011 compared to the First Half of 2010 in the context of how companies are generally valued. The specific asserted revenue adjustments are in the categories of:
- a) Hardware Transactions
 - b) Allegedly Linked Transactions
 - c) Value Added Reseller ("VAR") Transactions
 - i) Direct VAR Transactions
 - ii) Allegedly Linked VAR Transactions
- 1.3.4 In addition, I was asked to consider certain specific asserted revenue adjustments to the interim historical financial statements of Autonomy for 2009 through the First Half of 2011 (six months ended June 30, 2011) relating to multi-period hosting transactions, and I was asked to render opinions on the following areas in paragraphs 1.3.5 through 1.3.7.
- 1.3.5 The impact of the asserted revenue adjustments for multi-period hosting transactions on revenues, cash, profit from operations, and year-over-year percentage change or growth by providing an illustration using some of the amounts of the actual contracts at issue. In addition, I compared the impact on revenues and year-over-year percentage change or growth using all of the amounts of all of the actual contracts at issue.
- 1.3.6 Whether the asserted revenue adjustments, listed above in 1.3.3 through 1.3.5, likely did or did not have a significant impact on cash flow during the Subject Period.

- 1.3.7 Valuation methods for valuing companies (and their equity) for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company: Discounted Cash Flow Method, Earnings-based measures, or Revenues-based measures.
- 1.3.8 In preparing this Report, I considered:
- a) The United States' Voluntary Bill of Particulars ("VBOP") and the summary tables it incorporates¹ and the Independent Accounting Expert Report of Mr. Brice ("Brice Report").² For purposes of my work and this Report, I assumed the accuracy of the specific revenue adjustments asserted in the VBOP and in the Brice Report that I relied upon.
 - b) Generally accepted valuation theory, practice and standards regarding companies and stocks. During the course of my work, I considered valuation standards, textbooks and other valuation and finance publications, as well as certain assumptions I have been asked to make by counsel as explained below.
 - c) Public research regarding companies and industry related to this Report.
- 1.3.9 HKA billed for my services on this matter at a rate of \$750 per hour. Hourly rates for other team members who worked on this engagement under my supervision are in the range of \$285 to \$675. The opinions expressed in this Report are mine and mine alone. No compensation to be paid to HKA is contingent on the outcome of this matter or the content of my opinions.

1.4 DISCLOSURE OF INTERESTS

- 1.4.1 I am not aware of any actual or potential conflicts of interest that may affect my opinion in connection with any of the Parties, witnesses or advisers involved in this matter or indeed with the project itself.
- 1.4.2 Should I become aware of any conflicts of interest in the future I will promptly notify those who retained HKA.
- 1.4.3 I confirm that I have no financial or other interest in the outcome of this action.

¹ United States' Voluntary Bill of Particulars, dated October 8, 2023, and related tables.

² Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 and Appendices. HKA has not been provided with the underlying data that supports the Brice Report and Appendices. I have made certain assumptions as directed by counsel and I have made certain assumptions to facilitate analysis.

1.5 RESERVATIONS

- 1.5.1 This is a summary Report. My opinions are summarized below and are based on the documents and information in my possession as of the date of this Disclosure. I reserve the right to amend this Report if further information or documents are provided to me or otherwise become available to me. Also, I am continuing to review the information in this case and may have updates to supplement this Report. I reserve the right to respond to any additional information obtained through discovery or issues raised by other experts, if any. In addition, I reserve the right to prepare additional exhibits, charts, graphs, tables, demonstratives, and diagrams to summarize or support the opinions and analyses set forth in this Report.
- 1.5.2 If called as a witness at trial, I may testify to some or all of the opinions in this Report. I will notify Clifford Chance, in writing, if, for any reason, my existing Report requires any correction or qualification that impacts my opinion(s).

2. SUMMARY OF OPINIONS

2.1.1 ASSERTED REVENUE ADJUSTMENTS

- 2.1.2 My opinions are summarized below regarding the impact of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, and the year-over-year percentage change or growth between the First Half of 2011 compared to the First Half of 2010 in the context of how companies generally are valued.
- 2.1.3 In developing the valuation of a company, the insights obtained from financial statement analysis are often considered. For example, financial statement ratio analysis and comparisons of the changes in the most recent period with the same prior period may provide insights into profitability, growth or variability which are important valuation factors. All other things equal, projections of higher profits, higher expected profit margins, higher expected growth, higher expected cash flows and less expected variability are factors contributing to higher valuations.
- 2.1.4 Different companies often make different choices among acceptable alternative accounting methods. Different choices among accounting methods can affect the reported figures, and the calculated ratios and comparative changes. For the purposes of my Report only, I have assumed, hypothetically, that the revenue accounting adjustments asserted in the VBOP and the Brice Report that I have relied upon in this Report are appropriate. I have been asked to opine about the impact of applying those hypothetical adjustments to Autonomy's historical reported financial statements, as described herein.

- 2.1.5 In assessing the impact of each of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, and the year-over-year percentage change or growth between the First Half of 2011 compared to the First Half of 2010 in the context of how companies generally are valued, I considered the specific asserted revenue adjustments in the following categories:
- a) Hardware Transactions
 - b) Allegedly Linked Transactions
 - c) Value Added Reseller (“VAR”) Transactions
 - i) Direct VAR Transactions
 - ii) Allegedly Linked VAR Transactions
 - d) Multi-Period Hosting Transactions, as further discussed below.
- 2.1.6 Then, based on my knowledge of financial statement analysis in the context of business valuation, I considered whether these asserted items are in effect an issue of:
- a) Reclassification to a different line in the financial statement,
 - b) Timing, or
 - c) A corresponding counter-transaction.
- 2.1.7 Next, I applied the asserted revenue adjustments for the First Half of 2010 and First Half of 2011, and also made corresponding reclassifications, timing adjustments or counter-transaction adjustments based upon information from the Brice Report and the VBOP, as well as certain assumptions I was asked to make.
- 2.1.8 The Second Quarter of 2011 is the last reported financial quarter before the acquisition. As a result, a comparison of the First Half of 2011 (i.e., First and Second Quarter of 2011) to the First Half of 2010 (i.e., First and Second Quarter of 2010) is the most recent same period of comparison available using public information when valuing Autonomy around August 18, 2011 (“Valuation Date”). Furthermore, in financial statement analysis for valuation purposes, the most recent periods are often given the most weight – all other things equal.

Hardware Transactions

- 2.1.9 According to the Brice Report, hardware transactions occurred and were included in Autonomy's reported revenue but were not segregated into a separate disclosed line item in Autonomy's reported revenue. I have been asked to opine about the impact on financial statement analysis in the context of a valuation of removing the hardware revenues in the Subject Period. Furthermore, I understand the costs of hardware sales generally exceeded the revenues from hardware sales, and that the costs of hardware sales were included as costs and expenses in the financial statements of Autonomy, just not segregated.
- 2.1.10 In Attachment A, I prepared a summary comparison of the common size (as a percent of revenue) historical income statement components of Autonomy's profit from operations with and without the asserted hardware transactions – for the periods of First Half of 2011 compared to the First Half of 2010. I removed the alleged hardware-related revenue adjustments indicated in the VBOP and also removed the related costs that are already included in cost of goods sold ("COGS") and expenses as indicated in HP's "Rebaselining" Summary³ (Rebaselining Exercise). Attachment A removes both the sales and costs in the interest of consistency and has the same effect from a financial statement analysis perspective as if the hardware sales and costs were both reclassified out of components of profit from operations.
- 2.1.11 As illustrated in Attachment A, after the hardware transaction adjustments:
- a) Profit from operations is now greater than reported during both the First Half of 2010 and the First Half of 2011.
 - b) The profit from operations margin, as a percent of revenue, is now greater for both the First Half of 2010 and the First Half of 2011.
 - c) The rate of year-over-year change (growth) in revenue is now greater than the year-over-year change based upon the originally reported amounts.
 - d) The rate of year-over-year change (growth) in profit from operations is approximately 1 percentage point lower than the year-over-year change based upon the originally reported amounts.

³ K26_263.1.xlsx I was asked to assume that the adjustments suggested in the "Rebaselining Exercise" are accurate.

Alleged Linked Transactions

- 2.1.12 The Brice Report alleges that Autonomy paid more to purchase goods from customers in certain alleged linked transactions than the same customers paid to purchase software from Autonomy. From a financial statement analysis perspective, eliminating the revenue from these transactions would also require reducing corresponding alleged linked costs and expenses.
- 2.1.13 As illustrated in Attachment B, after these adjustments for Allegedly Linked Transactions:
- a) Profit from operations is now greater than reported during both the First Half of 2010 and the First Half of 2011.
 - b) The profit from operations margin, as a percent of revenue, is now greater for both the First Half of 2010 and the First Half of 2011.
 - c) The rate of year-over-year change (growth) in revenue is now greater than the year-over-year change based upon the originally reported amounts.
 - d) The rate of year-over-year change (growth) in profit from operations is lower than the year-over-year change based upon the originally reported amounts. However, profits are still growing.

VAR Transactions

- 2.1.14 The Brice Report alleges revenue recognition issues with certain VAR transactions. Accordingly, I identified and considered what type of VAR transaction was involved. I was also asked by counsel to make certain assumptions regarding these transactions which I explain below.
- 2.1.15 With respect to certain of the VAR transactions, Autonomy allegedly entered into a transaction with the named end user in a subsequent period to sell the same or similar software for the same or similar amounts of revenue, then cancelled the amounts owed by the VAR in the original transaction. For these VAR transactions allegedly made directly to end users in subsequent periods (which I have identified as "Direct VAR Transactions"), I have been asked to assume that the revenue from the direct sale to the end user would have been properly recognized in the quarter in which the direct sale was made, and that the accounting difference relates only to the timing of when revenue should have been recognized; there is no allegation of missing revenue. In 2010, because some transactions did not go direct within the Subject Period, the revenue would be lower in the First Quarter of 2010, but would have been recognized in the Third Quarter of 2010, which is not included in our analysis. In 2011, because some transactions did not go direct

until after the end of the Subject Period, the revenue would be lower in the Second Quarter of 2011, but there were several deals that would have been recognized only one quarter later in the Third Quarter of 2011.

- 2.1.16 With respect to certain VAR transactions, the VAR paid cash for the transaction, but allegedly only as a result of Autonomy buying other goods from the VAR. From a financial statement analysis perspective, if Autonomy's purchases from the VARs are deemed linked transactions, preventing revenue from being recognized in the original VAR transactions, it is necessary to also eliminate the corresponding expense associated with the allegedly linked purchases from the VARs. Because these transactions were treated in the Brice Report as linked, I have been asked to consider the effect of offsetting or netting the revenue and I was asked by counsel to assume that the related expense was recorded in the same period in which the select VAR transaction was recognized as revenue. Sometimes the corresponding allegedly linked expense was higher than the allegedly linked revenue and sometimes the associated expense was lower. The net effect would reduce, offset, or exceed the impact of the asserted revenue adjustment depending on the particular transaction. I refer to these transactions in the Report as "Allegedly Linked VAR Transactions."
- 2.1.17 Two VAR transactions entered into during the Second Quarter of 2011 were later cancelled when sales did not close with the end user.
- 2.1.18 As illustrated in Attachment C, the overall result of adjusting for these VAR transactions indicates, from a financial statement analysis perspective:
- a) Profit from operations would be lower than originally reported for both the First Half of 2010 and the First Half of 2011.
 - b) The profit from operations margin, as a percent of revenue, is approximately unchanged for both the First Half of 2010 and the First Half of 2011.
 - c) The rate of year-over-year change (growth) in revenue is now lower than the year-over-year change based upon the originally reported amounts. However, revenue is still growing.
 - d) The rate of year-over-year change (growth) in profit from operations is lower than the year-over-year change based upon the originally reported amounts. However, profits are still growing.

Multi-Period Hosting Transactions

2.1.19 For the multi-period hosting transactions, I have assumed, hypothetically, the accuracy of the information in the Brice Report which reclassified up-front license revenue to revenue recognized ratably, on a straight-line basis over the contract durations for the various transactions. In this regard, I reviewed the summaries provided in Appendix F of the Brice Report for the relevant multi-period hosting transactions. I also prepared:

- a) Attachment D which is an illustration that compares hypothetical Company A and Company B but uses the actual contract amounts and actual contract durations of a sample of three selected multi-year hosting transactions listed in Table 2.10 and Appendix F of the Brice Report. These three selected multi-year hosting transactions were executed before June 30, 2011. In Attachment D, Company A represents revenues as reported by Autonomy and Company B represents revenues as restated by the Brice Report.

2.1.20 Attachment D indicates that:

- a) With regards to revenue, although revenue is initially lower during the early years for Company B:
 - i) Total revenue is the same for Company A and Company B over the contract duration.
 - ii) The average revenue per year is the same for both Company A and Company B.
 - iii) Company B has more years of revenue than Company A.
 - iv) Company B has revenue in every year of the contract duration.
 - v) Company A has no revenue (zero revenue) in more than one year.
- b) With regards to Cash, the cash inflow is the same for both Company A and Company B
- c) With regards to profit contribution, although the profit contribution amount is initially lower during the early years for Company B:
 - i) Total profit contribution is the same for both Company A and Company B over the contract duration.
 - ii) The average profit contribution per year is the same for both Company A and Company B.

- iii) Company B has more years with profit contribution than Company A.
- iv) Company B has profit contribution in every year of the contract duration.
- v) Company A has zero profit contribution in more than one year.
- d) With regards to the year-over-year percentage change in revenue during years 1 through 3 (2009 through 2011):
 - i) The year-over-year percentage change in revenue (growth) is greater in the first years for Company B than Company A.
 - ii) The year-over-year percentage change in revenue (growth), on average, is greater for Company B than Company A.
- e) With regards to the year-over-year percentage change in cash during year 1 through 3 (2009 through 2011):
 - i) The year-over-year percentage change in cash (growth) is the same for Company A and Company B.
 - ii) The year-over-year percentage change in cash (growth), on average, is the same for Company A and Company B.
- f) With regards to the year-over-year percentage change in profit contribution during year 1 through 3 (2009 through 2011):
 - i) The year-over-year percentage change in profit contribution (growth) is greater in the first years for Company B than Company A.
 - ii) The year-over-year percentage change in profit contribution (growth), on average, is greater for Company B than Company A.

2.1.21 The patterns of revenue and profit contribution with hypothetical Company A and Company B are different, but the patterns of cash inflow are the same. In fact, the patterns of revenue and profit contribution for hypothetical Company A vary more than hypothetical Company B and even drop to zero during the contract durations. The patterns of revenue and profit contribution for hypothetical Company B reflect a layering effect which accumulates and smooths the patterns; and depending on the mix (e.g., amounts, timing, and number of contracts) can reflect greater growth or less variability for hypothetical Company B as compared to hypothetical Company A.

Consequently, the patterns of revenue and profit contributions with hypothetical Company B are comparatively more predictable than hypothetical Company A.

- 2.1.22 In addition, I compared the impact on revenues and year-over-year percentage change or growth using the actual amounts of all of the transactions presented in Table 2.10 of the Brice Report. This analysis is illustrated in a graph, showing adjusted revenue on a quarterly basis, and table as Attachment E. This corroborates my above observations regarding revenue patterns for hypothetical Company B as compared to hypothetical Company A. It also shows that for the First Half of 2011, as compared to the First Half of 2010, the revenue growth percentage, with the asserted revenue adjustments, would be greater than it would be with the reported revenues.⁴ It should be noted that the revenue depicted in Attachment E is based solely on the transactions in the Brice Report. Thus, to the extent the graph could be read to show declining revenue beginning in 2013, that is because multi-period hosting transactions entered into after the second quarter of 2011 were not considered in Table 2.10 of the Brice Report.

Cash Flow

- 2.1.23 I also considered whether the asserted revenue and expense adjustments listed above likely did or did not have a significant impact on cash flow during the Subject Period.
- 2.1.24 Generally, the asserted adjustments I have analyzed are in the nature of a reclassification to a different line in the financial statement issue, a timing issue, or a corresponding counter-transaction issue. From a financial statement analysis perspective in the context of valuation, the asserted revenue accounting adjustments are incomplete and do not include related costs, expenses, corresponding counter-transaction items, or reassignments. Furthermore, I also note that there is no assertion that the cash received or earned by Autonomy related to these transactions was not received.
- a) Hardware Transactions. All of the revenues, related costs and expenses were already recognized. In total, these transactions resulted in a loss during the Subject Period. Therefore, removing the revenues, related costs and expenses for the Hardware Transactions would likely increase cash flow during the Subject Period.

⁴ HKA relied on Appendix F of the Brice Report in making revenue adjustments for the multi-period hosting transactions. We have assumed the amounts and information contained in Appendix F of the Brice Report are accurate. We did not independently verify the amounts and information contained in Appendix F of the Brice Report. For purposes of its analysis, HKA was asked to assume the contract revenue would be recognized ratably over the duration of the contract. HKA assumed Autonomy received all the cash up-front.

- b) Alleged Linked Transactions. The assessment regarding whether there is cash flow impact for Alleged Linked Transactions is similar to Hardware Transactions. In total, these transactions resulted in a loss during the Subject Period. From a financial statement analysis perspective, eliminating the revenue from these transactions would also require reducing corresponding costs and expenses. Therefore, removing the revenues, related costs and expenses for the Alleged Linked Transactions would likely increase cash flow during the Subject Period.
- c) VAR Transactions. The assessment regarding whether there is cash flow impact for VAR Transactions is similar to Hardware Transactions and Linked Transactions. Where applicable, I was asked by counsel to assume that the related expense was recorded in the same period in which the select VAR transaction was recognized as revenue. In total, these transactions resulted in a loss during the Subject Period. Therefore, removing the revenues, related costs and expenses for the VAR Transactions would likely increase cash flow during the Subject Period.
- d) Multi-Period Hosting Transactions. This is a timing issue regarding that asserted revenue should be spread over the contract duration as opposed to up-front. I was asked to assume the full amount of cash was received and recorded up-front. Moving a portion of the revenue from a current period to recognize ratably over later periods requires increasing deferred revenue liability in the current period. I have assumed the applicable gross profit margin of multi-period hosting revenue is the same as that of the company and that the incremental cash outlays over the lifetimes of the contracts are nominal. Increasing deferred revenue as an offset to decreasing earned revenue results in, this case in, a net positive impact to cash flows during the Subject Period. My calculations are summarized in Attachment F.

2.2 VALUATION METHODS

- 2.2.1 My comments and opinions are summarized below regarding valuation methods for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company. The Discounted Cash Flow Method is generally the most-preferred method, earnings-based methods second, and revenues-based methods third.
- 2.2.2 Valuation of companies and stocks are generally an estimate based on variables perceived to be related by an analyst to future investment returns or comparisons with similar investments. Selection of the most appropriate valuation methodology involves informed judgment. Analysts often consider and weigh multiple valuation models or factors in the process. For well-established operating companies which generate significant cash flows from the sales of services or goods,

the most common methodologies are the Income Approach – Discounted Cash Flow (“DCF”) Method, the Market-Approach – Guideline Public Company (“GPC”) Method, and the Market-Approach – Merger & Acquisition (“M&A”) Method.

- 2.2.3 Valuation is forward looking. A well-established, mature operating company has value to a potential investor because the investor believes it will generate cash flows in the future. Value depends on the magnitude, timing, and risk of the cash flows expected to be generated in the future. Furthermore, many companies use free cash flow to manage the company and measure performance. Free cash flow is the cash flow which a company generates after collection of receivables, payment of costs and expenses, and after making working capital and other capital investments.
- 2.2.4 The DCF Method is a fundamental valuation technique based upon these forward-looking valuation principles. The DCF Method calculates the present value of future expected free cash flows using a discount rate. Expected free cash flow, or expected earnings as a key component of and translated into expected free cash flow, is generally the most important variable. Free cash flow is based on expected cash flow from operations plus it factors in the necessary reinvestment in fixed assets and working capital. In many cases, the DCF Method best fits the facts and is most tailored to the economics of the subject company because the DCF Method directly incorporates the specific operating characteristics and projections of future financial performance and variations of the company. The DCF Method is custom-tailored to the economics of the company.
- 2.2.5 The advantage of using free cash flow is that it can be used directly in a DCF framework to value the company or equity. Other earnings-related measures, such as net income, EBIT, or EBITDA,⁵ lack this ability because they either omit cash flows or double count in some way. For example, EBIT and EBITDA are before-income tax statistics, but cash flows available to the company or equity must be after tax. In addition, earnings-related measures do not account for differences in capital structures among companies, reinvestments in capital assets, and reinvestments in working capital to maintain or optimize the value of the company. Revenue-related measures have even greater issues with omitting cash flows or double-counting in some way, plus issues with assuming sameness of service, product and operating cost and margin structures.
- 2.2.6 Ultimately, selection of valuation method is often influenced by the purpose of the valuation and the perspective of an analyst. A potential buyer evaluating a controlling equity position in a target company often values the company using the DCF Method or the forecasted free cash flows,

⁵ “EBIT” is Earnings Before Interest and Taxes. “EBITDA” is Earnings Before Interest, Taxes, Depreciation, and Amortization.

because such free cash flows can be redirected by such an acquirer without affecting the value of the acquisition.

- 2.2.7 Fundamental valuation analysis assumes that an investment has an intrinsic valuation which can be quantified through a rigorous evaluation of relevant variables. Intrinsic value is also sometimes called fundamental value: the value on the basis of available facts to be the fundamental value that will become the market value when other investors reach the same conclusion.
- 2.2.8 The Market Approach is a general way of determining a value indication by using one or more methods that compare the subject to similar businesses. The Market Approach methods are relative valuation techniques based upon relative comparison with guideline public companies or guideline transactions of companies. Under the Market-Approach – Guideline Public Company (“GPC”) Method, market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market. Under the Market-Approach – Merger & Acquisition (“M&A”) Method, pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. The Market Approach methods are ways to estimate and apply a Multiple of Earnings or Multiple of Revenue as a valuation ratio to estimate relative value.
- 2.2.9 The two Market Approach methods may provide some additional insight but by their nature are not as tailored to the specific economics of the subject company. Further, issues arise regarding whether the selected benchmark companies are sufficiently comparable and whether the share prices of the benchmark companies are free of aberrations. In addition, issues arise regarding the availability of financial information, and the motivations and knowledge of the parties, with selected transactions. The Market Approach methods are not custom-tailored to the future economics of the subject company like the DCF Method. Therefore, the Market Approaches are relative valuation techniques, and not fundamental valuation techniques.
- 2.2.10 One of the additional advantages of using a DCF framework for valuation is that it can be custom tailored to include the estimated additional free cash flows and potential value of synergies anticipated by a prospective buyer of the company in combination with the economics and value of the target company.
- 2.2.11 Consequently, regarding valuation methods for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company: the Discounted Cash Flow Method is generally the most-preferred method, Earnings-based methods second, and Revenues-based methods third.

3. SUMMARY CONCLUSION

3.1.1 When comparing Autonomy's financial results from First Half of 2011 to First Half of 2010:

Hardware Transactions

3.1.2 If the asserted hardware sales are removed along with corresponding costs and expenses:

- a) Autonomy would have had higher profits and higher profit margins.
- b) Autonomy's revenue growth percentage would have been higher.
- c) Autonomy's cash flow would likely have been higher.

Alleged Linked Transactions

3.1.3 If the revenues for linked transactions are removed along with corresponding costs and expenses:

- a) Autonomy would have had higher profits and higher profit margins.
- b) Autonomy's revenue growth would have been higher.
- c) Autonomy's cash flow would likely have been higher.

VAR Transactions

3.1.4 If the revenues for VAR transactions are removed along with the corresponding costs and expenses:

- a) Autonomy would have had lower profits.
- b) Autonomy would have had and a higher profit margin in the First Half of 2010 and a lower profit margin in the First Half of 2011.
- c) Autonomy's revenue growth would have been lower.
- d) Autonomy's cash flow would likely have been higher.

Multi-Period Hosting Transactions

- 3.1.5 If the multi-period hosting transactions in which license revenue was originally recognized in full up front in the quarter in which the deal was executed were instead accounted for by recognizing the revenue ratably on a straight-line basis over the duration of the contract, the result would be:
- a) The revenue would have been spread out over a longer period.
 - b) The total amount of revenue and profit would have been the same.
 - c) The cash would have been received in the same time periods.
 - d) Although this would have resulted in initially less revenue, the results after adjustments would have indicated growth, plus future revenue and profit streams that are longer and steadier, for which the clients had already paid in full.
 - e) These adjustments result in a net positive impact on cash flows during the Subject Period.

Financial Statement Analysis and Valuation

- 3.1.6 The Second Quarter of 2011 is the last reported financial quarter before the acquisition. Comparison of the First Half of 2011 to the First Half of 2010 is the most recent same period of comparison available of public information when valuing Autonomy in August 2011.
- 3.1.7 In financial statement analysis for valuation purposes, the most recent periods are often given the most weight – all other things being equal.
- 3.1.8 Valuation is forward-looking. All other things equal, projections of higher expected profits, higher expected profit margins, higher expected growth, and less expected variability are factors contributing to higher valuations. Higher expected future cash flows is also a factor contributing to higher valuations.
- 3.1.9 For a well-established, mature operating company: the Discounted Cash Flow Method is generally the most-preferred method for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, Earnings-based methods second, and Revenues-based methods third.
- 3.1.10 Generally, a comprehensive valuation of a company considers all facts and factors relevant to valuation and requires application of informed judgment by the analyst. Ultimately, a valuation is

based upon a selected or developed prophesy, or range of prophesies, as to the long-term future of a company and there is no specific formula for a valuation.

- a) As I discussed above, the Discounted Cash Flow valuation method based upon a forecast of Free Cash Flows is the most preferred method for valuation of a mature operating company. A company has value to an investor because the investor believes it will generate cash flows in the future: value depends on the magnitude, timing and risk of the cash flows which is expected to be generated. Historical returns are not the focus of valuation, but analysis of historical information may provide insights into certain valuation factors.
- b) A valuation analyst will use informed judgment in assessing and weighing the facts and factors. In this situation, the short-term snapshot of historical financial information items and assertions regarding Autonomy which I have analyzed in this Report for the Subject Period are of the type that would be relevant considerations among the total mix of information.
- c) In addition, the types of related financial statement analysis adjustments which I have made also would be relevant considerations in developing a valuation.
 - i) Furthermore, from an economic perspective, it is my understanding that the hardware, allegedly linked and VAR transaction activities at issue could be discontinued from Autonomy's operations. This would be a relevant consideration.
 - ii) Similarly, the multiple years of revenue and income, and greater predictability of multi-year hosting revenues and profits would also be a relevant consideration. In addition, the growth and layering effect in multi-year hosting revenues as a result of the adjustments would be a relevant consideration.
- d) I considered the total mix of financial statement analysis adjustments I applied in this Report for the Subject Period, and tabulated them in a schedule Attachment G. This schedule includes all of the financial statement analysis adjustments to revenues, costs of revenues and expenses, plus it includes related income tax and deferred (unearned) revenue items. Consequently, my schedule captures the main items affecting cash flow, as well as profit from operations. This provides a holistic view of the impact on cash flow.
 - i) Although total revenue and total profit from operations, after adjustments, are less in each of the Subject Period:
 - The cash flow during the First Half of 2010 is increased.

- The cash flow during the First Half of 2011 is increased.
 - In total, the amount of cash flow for combined First Half of 2010 and First Half of 2011 is increased.
 - The year-over-year percentage change for revenues (growth), after adjustments is greater.
 - The profit margin percentage for the First Half of 2010 and the First Half of 2011 are both greater.
 - The year-over-year percentage change for profit from operations (growth), after adjustments is similar.
- ii) Accordingly, these would be relevant considerations in assessing historical cash flow as part of a financial statement analysis in the context of a valuation, provide insights to an analyst who is assessing selection of or developing a forecast of free cash flow for a DCF. All other things equal, higher expected cash flows contribute to higher valuation when analyzing a company.

3.1.11 Valuation is an imperfect science, there are imprecisions, and often ranges of point estimates of value are developed. In my financial statement analysis, I made certain assumptions to facilitate the analysis and captured the major items affecting cash flow. Cash flow to a business and to a valuation are important. The DCF Method calculates the present value of future expected free cash flows using a discount rate. Expected free cash flow, or expected earnings as a key component of and translated into expected free cash flow, is generally the most important variable. In the snapshot of the Subject Period, the asserted revenue adjustments would result in a limited impact on the cash flow. All other things equal, assuming the accuracy of the adjustments in the Brice Report and the Rebaselining Exercise that I have relied upon, it is my opinion that, in isolation, the overall impact of the amounts of the adjustments alone discussed in this Report would not likely materially change the valuation of a well-established, mature operating company like Autonomy, as of the Valuation Date.

4. SIGNATURE OF EXPERT

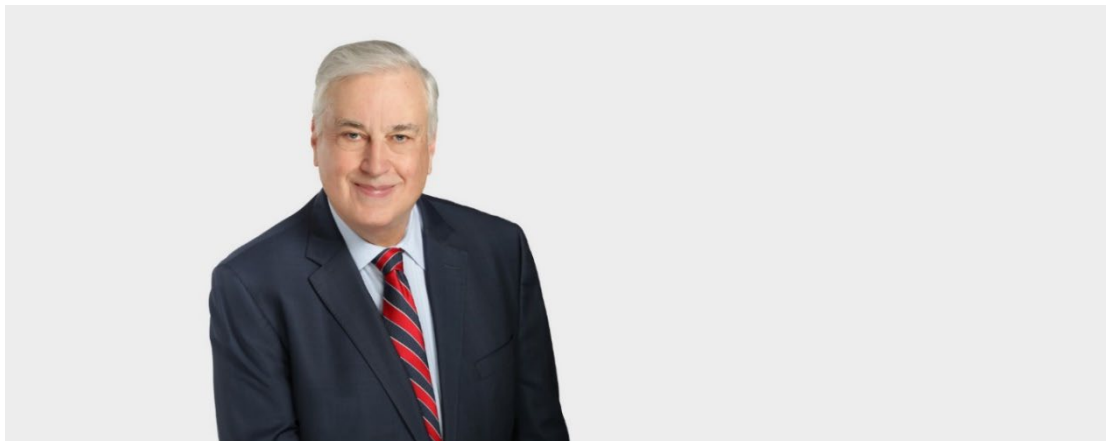
Respectfully submitted,



John Levitske

December 7, 2023

CURRICULUM VITAE
JOHN LEVITSKE
PARTNER



QUALIFICATIONS

MBA (*cum laude*), University of Notre Dame, USA
 JD, Duquesne University School of Law (Law Review), USA
 BSBA, Duquesne University, USA
 Accredited Senior Appraiser (ASA) in Business Valuation
 Accredited in Business Valuation (ABV)
 Certified in Financial Forensics (CFF)
 Certified Insolvency and Restructuring Advisor (CIRA)
 Certified Public Accountant (CPA), licensed in Illinois and Pennsylvania
 Chartered Financial Analyst (CFA) Charterholder
 Chartered Global Management Accountant (CGMA)
 Master Certified Forensic Litigation Consultant (MCFLC)

MEMBERSHIPS

American Bar Association

- Co-Chair, Investigations, Enforcement and White-Collar Subcommittee of the Business Law Section's Business & Corporate Litigation Committee
- Former Chair, Dispute Resolution Committee of the Business Law Section
- Former Member at Large, Standing Committee on Audit of the ABA national entity

National Board Member and former National President, Forensic Expert Witness Association

Founding Member, Chicago Bar Association, Business Divorce and Complex Ownership Disputes Committee

PERSONAL DEVELOPMENT

Who's Who Legal (WWL): Consulting Experts, Financial Advisory and Valuation – Quantum of Damages, 2019 – 2023 (*"Global Leader" in 2023*)

Corporate Valuation, University of Pennsylvania, The Wharton School, Executive Education, 2022

Frontiers of Finance, New York University, Stern School of Business, Executive Education, 2022

Spreadsheet Modeling, Cornell University, College of Engineering, Executive Education, 2022

Financial Modeling, University of Georgia, Terry College of Business, Executive Education, 2022

Leaders League: USA Best Arbitration Support Firms, Leading Firms Tier, Key Figure, 2019

Forensic Expert Witness Association's National Meritorious Service Award, 2019

The Fellows of the American Bar Foundation, 2018 - *present*

Who's Who Legal: International Arbitration, Commercial Experts, 2011

Dale Carnegie Leadership Training for Managers, 2003
 KPMG FLS Leadership Forum and Advanced Leadership Forum, 2001, 2003
 The Dale Carnegie Course, 1995

PROFILE

John Levitske is a business appraiser, financial analyst, and forensic accountant with more than 35 years of experience. John serves as a senior advisor to companies, legal counsel, executives, and investors regarding business valuation, financial, accounting, and damages issues in complex commercial matters such as business, shareholder, bankruptcy, corporate governance, alter-ego, private equity, and mergers and acquisitions (M&A) transaction disputes. He provides expert advice when disagreements or uncertainties arise regarding quantifications of value, price, accounting (GAAP and IFRS), or economic damages of a business or stakeholder interest. John works across all industries and is experienced with both private and public companies, in domestic and international disputes.

He has worked with Big Four public accounting, global valuation and corporate financial advisory, and international business advisory and expert consulting firms for over 25 years. He also founded a business valuation dispute analysis practice, co-founded an acquisition agreement vetting practice, and was one of the leaders of a post-acquisition dispute practice. John's expert witness work has included jury and bench trials, mediations, and arbitrations (e.g., ICC, LCIA, SCC, AAA, JAMS, FINRA, and ad hoc) in the United States and internationally. He has testified as an expert witness in the United States, Europe, and the Caribbean. John has also served as a neutral arbitrator and as an independent advisor to the mediator.

John currently teaches as an adjunct faculty member at Benedictine University's College of Business and has served as a Chartered Financial Analyst (CFA) Examination grader. He has also taught accounting, finance, and auditing at the University of Pittsburgh and Point Park University; and served as a national exam question writer for the Uniform Certified Public Accountant (CPA) Exam and the American Institute of Certified Public Accountants' Accredited in Business Valuation Exam.

PRESENTATIONS & SPEAKING ENGAGEMENTS

John has lectured on valuation, financial analysis, forensic accounting, and M&A dispute topics to various professional groups, including the American Bar Association, American Society of Appraisers, Association of Insolvency and Reorganization Advisors, Chicago Bar Association, and DailyDAC-Financial Poise.

PUBLICATIONS & PAPERS – PREVIOUS 10 YEARS

"Business Divorce", In *Recent Developments in Business and Corporate Litigation*, American Bar Association, Business Law Section, 2023, 2022, 2021 and 2020 editions

"Has the Pandemic Increased the Need for Expert Witnesses in M&A Disputes?", American Bar Association, Litigation Section, Expert Witnesses Committee, December 2021

"The Independent Accountant or Business Valuator as Advisor to the Mediator", American Bar Association, Litigation Section, Expert Witnesses Committee, December 2021

"Measuring Valuation Damages for Breach of Fiduciary Duty Claims in Shareholder Disputes During the COVID-19 Pandemic", *Sound Advice*, July 2021

"Contemporary Considerations for Drafting Buy-Sell and Valuation Provisions in Limited Liability Company Operating Agreements", *Business Law Today*, May 2021

"Innovative Dispute Resolution: The Independent Business Valuator as Advisor to the Mediator in Business Disputes", Ankura.com, January 2021

"Internal Corporate Investigations", In *Guide for In-House Counsel*, American Bar Association, Business Law Section, 2020

"Internal Corporate Investigations", *Business Law Today*, Parts 1 and 2, December 2019 & April 2020

"Preparing In-House Counsel and External Lawyer Advocates for Effective, Good-Faith Mediation of Mergers & Acquisitions", *Business Law Today*, February 2018

"Reflections on the 1-2-3's of Mediation of a Merger & Acquisition Dispute", *Business Law Today*, July 2017

“Well-Established Principles Key to Expert Witness Testimony”, *Paradigm*, July 2017

“Current Dell Appraisal Rights Litigation Case on Appeal in Delaware Chancery Court May Provide Valuation Insights”, *Paradigm*, June 2017

“Why It Pays to Invest in Expert Analysis”, *Paradigm*, March 2017

“Managing Post-Merger & Acquisition Purchase Price Disputes”, In *ADR Handbook for the Business Lawyer*, American Bar Association, Business Law Section, 2016

EMPLOYMENT HISTORY

- HKA Global, LLC, Partner, 2023 - *present*
- Benedictine University, Adjunct Faculty Lecturer, 2022 - *present*
- Ankura Consulting Group, Senior Managing Director, 2017 - 2022
- Huron Consulting Group, Senior Director, 2016 - 2017
- Houlihan Lokey, Managing Director, 2014 - 2016
- Duff & Phelps, Managing Director, 2005 - 2014
- Standard & Poor's, a business unit of McGraw-Hill Companies, Managing Director, 2004 - 2005
- FTI Consulting, Director, 2003 - 2004
- KPMG, Director, 2000 - 2003
- Deloitte, Director, 1995 - 2000
- Mark Wolk & Associates, CPA's, Director, 1985 - 1995
- Group “L” Investors & Developers, Partner, 1980 - 1985
- Westinghouse Electric Corporation, Associate Accounting Analyst, 1979 – 1980

TESTIMONY – PREVIOUS 4 YEARS

Year	Forum	Action or Proceeding	Description
2022	Eastern Caribbean Supreme Court, High Court of Justice, Territory of the Virgin Islands, Law Division	<u>Ikana Holdings S. de R.L. v. Putney Capital Management Ltd. et al.</u>	Expert Testimony at Trial
2021	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Trial
2020	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Deposition
2020	Superior Court of New Jersey, Morris County, Law Division	Ashland LLC, International Specialty Products, Inc., and ISP Environmental Services, Inc. v. G-I Holdings Inc., Building Materials Corporation of America d/b/a GAF Materials Corporation and GAF Corporation, et al.	Expert Testimony at Deposition
2020	U.S. Bankruptcy Court, Northern District of Texas, Chapter 11	In re: <u>TriVascular Sales LLC et al.</u> , Debtors	Expert Testimony at Deposition

CONTACT INFORMATION

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Chicago, IL 60606 USA



Documents

Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 and Appendices.
United States' Voluntary Bill of Particulars, dated October 8, 2023, and related tables
K26_263.1 ("Rebaselining Exercise")
Autonomy Corporation PLC Interim Results for the Six Months Ended June 30, 2010
Autonomy Corporation PLC Interim Results for the Six Months Ended June 30, 2011
Autonomy Corporation PLC Annual Report and Accounts for the year ended 31 December 2010
British Pound to US Dollar Spot Exchange Rates for 2011
Capital IQ Historical GBPUSD Exchange Rate - March 2011



Adjustments for Hardware Transactions
Q1 - Q2 2010 Compared To Q1 - Q2 2011

Hardware Transactions	Q1 2010 ^(a)	Q2 2010	Q1 & Q2 2010	Q1 2011 ^(a)	Q2 2011	Q1 & Q2 2011	H1 2010 to H2 2011	
							Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	\$ 60.73	14.62%
<i>Hardware Adjustment</i>	(11.84)	(31.06)	(42.90) ⁽³⁾	(20.09)	(20.85)	(40.94) ⁽³⁾		
Total Revenue Less Hardware Adjustments	\$ 182.34	\$ 190.07	\$ 372.41	\$ 199.70	\$ 235.40	\$ 435.10	\$ 62.69	16.83%
 Total Cost of Revenues	 36.08	 45.22	 81.30 ⁽¹⁾	 39.23	 48.49	 87.73 ⁽²⁾		
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾	95.94	124.80	220.74 ⁽²⁾		
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	\$ 135.17	\$ 173.30	\$ 308.47		
<i>Costs and Expenses Related to Alleged Hardware Revenues</i>	(13.21)	(34.66)	(47.87) ⁽⁴⁾	(21.53)	(23.39)	(44.92) ⁽⁴⁾		
Total Cost of Revenues and Operating Expenses Less Hardware Adjustments	\$ 107.84	\$ 109.46	\$ 217.30	\$ 113.64	\$ 149.91	\$ 263.54		
 Profit from Operations	 \$ 73.13	 \$ 77.01	 \$ 150.14 ⁽¹⁾	 \$ 84.62	 \$ 82.95	 \$ 167.57 ⁽²⁾	 \$ 17.43	 11.61%
<i>% of Corresponding Revenue</i>			36.15%			35.20%		
Profit from Operations After Adjustments	\$ 74.50	\$ 80.61	\$ 155.11	\$ 86.06	\$ 85.49	\$ 171.56	\$ 16.45	10.60%
<i>% of Corresponding Revenue</i>			41.65%			39.43%		

Source(s):

(1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.

(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.

(3) United States' Voluntary Bill of Particulars, dated October 8, 2023, Table "Summary of Revenue Adjustments (Detailed) - 2009 To October 2011".

(4) K26_263.1.xlsx (Rebaselining Exercise).

Note(s):

(a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.



Adjustments for Alleged Linked Transactions
Q1 - Q2 2010 Compared To Q1 - Q2 2011

Alleged Linked Transactions	Q1 2010 ^(a)	Q2 2010	Q1 & Q2 2010	Q1 2011 ^(a)	Q2 2011	Q1 & Q2 2011	H1 2010 to H2 2011	
							Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	\$ 60.73	14.62%
<i>Alleged Linked Transaction Adjustments</i>	(8.50)	-	(8.50) ⁽³⁾	(6.45)	-	(6.45) ⁽⁴⁾		
Total Revenue Less Alleged Linked Transaction Adjustments	\$ 185.68	\$ 221.13	\$ 406.81	\$ 213.34	\$ 256.25	\$ 469.59	\$ 62.78	15.43%
 Total Cost of Revenues	 36.08	 45.22	 81.30 ⁽¹⁾	 39.23	 48.49	 87.73 ⁽²⁾		
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾	95.94	124.80	220.74 ⁽²⁾		
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	\$ 135.17	\$ 173.30	\$ 308.47		
<i>Costs and Expenses Related to Alleged Linked Transactions</i>	-	(11.52)	(11.52) ⁽³⁾	(7.01)	-	(7.01) ^{(4)(5)(b)}		
Total Cost of Revenues and Operating Expenses Less Alleged Linked Transaction Adjustment:	\$ 121.05	\$ 132.60	\$ 253.65	\$ 128.16	\$ 173.30	\$ 301.45		
 Profit from Operations	 \$ 73.13	 \$ 77.01	 \$ 150.14 ⁽¹⁾	 \$ 84.62	 \$ 82.95	 \$ 167.57 ⁽²⁾	 \$ 17.43	 11.61%
<i>% of Corresponding Revenue</i>			36.15%			35.20%		
Profit from Operations with Adjustments	\$ 64.63	\$ 88.53	\$ 153.16	\$ 85.19	\$ 82.95	\$ 168.14	\$ 14.98	9.78%
<i>% of Corresponding Revenue</i>			37.65%			35.81%		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-10-049 FileTek, Inc (FileTek).pdf, page 1-2.
(4) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-11-084 Tottenham Hotspur Plc (Tottenham).pdf, page 1, 3.
(5) Capital IQ Historical GBPUUSD Exchange Rate - March 2011.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) £4,370,000 at the Historical Exchange Rate on March 31, 2011 of £0.62305 GBP/USD = \$7,013,883.32.



Adjustments for VAR Transactions
Q1 - Q2 2010 Compared To Q1 - Q2 2011

VAR Transactions ^(a)	Q1 2010 ^(b)	Q2 2010	Q1 & Q2 2010	Q1 2011 ^(b)	Q2 2011	Q1 & Q2 2011	H1 2010 to H2 2011	
							Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	\$ 60.73	14.62%
<i>VAR transactions allegedly recognized too early - outs</i>	(9.70)	-	(9.70) ⁽³⁾	(10.90)	(21.60)	(32.50) ⁽³⁾		
<i>VAR transactions allegedly recognized too early - ins</i>	4.66	10.07	14.73 ⁽³⁾	8.32	10.69	19.01 ⁽³⁾		
<i>VAR transactions allegedly linked to payment to VAR</i>	(15.30)	-	(15.30) ⁽³⁾	(12.50)	(7.00)	(19.50) ⁽³⁾		
Total Revenue Less VAR Adjustments	\$ 173.84	\$ 231.20	\$ 405.04	\$ 204.71	\$ 238.34	\$ 443.05	\$ 38.01	9.38%
Total Cost of Revenues	36.08	45.22	81.30 ⁽¹⁾	39.23	48.49	87.73 ⁽²⁾		
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾	95.94	124.80	220.74 ⁽²⁾		
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	\$ 135.17	\$ 173.30	\$ 308.47		
<i>Costs and Expenses Related to Alleged VAR Transactions</i>	(8.72)	-	(8.72) ⁽³⁾	(11.64)	(8.20)	(19.84) ⁽³⁾		
Total Cost of Revenues and Operating Expenses Less VAR Adjustments	\$ 112.33	\$ 144.12	\$ 256.45	\$ 123.53	\$ 165.10	\$ 288.63		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	\$ 17.43	11.61%
<i>% of Originally Reported Revenue</i>			36.15%			35.20%		
Profit from Operations with Adjustments	\$ 61.51	\$ 87.09	\$ 148.59	\$ 81.18	\$ 73.24	\$ 154.42	\$ 5.83	3.92%
<i>% of Adjusted Revenue</i>			36.69%			34.85%		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.8 and Appendix F.

Note(s):

- (a) These amounts are only the part of the asserted adjustment that falls within the Subject Period.
(b) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Sample of Representative Multi-Period Hosting Transactions
Comparison Of Annual Revenue Recognition Up-Front vs. Ratably
Sample Transactions From Brice Report Table 2.10

Company A						
SW-09-013 Bank of America, NA - \$9.2 million contract license amount, 60 month duration SW-10-059 JP Morgan Chase Bank, N.A. - \$8.7 million contract license amount, 60 month duration SW-11-086 Deutsche Bank AG - \$7.1 million contract license amount, 60 month duration						
Revenue Recognition Method Selected: License Revenue Recognized 100% Up Front						
Year	Revenue					Years of Revenue
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Cash Received					Years of Cash Received
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Profit Contribution At 87% Gross Profit Margin ^{(4)(a)}					Years of Profit Contribution
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	\$ 8,025,430	\$ -	\$ -	\$ 8,025,430		1
2010	-	7,585,339	-	7,585,339	-5.5%	1
2011	-	-	6,190,334	6,190,334	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 8,025,430	\$ 7,585,339	\$ 6,190,334	\$ 21,801,103		3
Average				\$ 2,725,138	-41.3%	

Company B						
SW-09-013 Bank of America, NA - \$9.2 million contract license amount, 60 month duration SW-10-059 JP Morgan Chase Bank, N.A. - \$8.7 million contract license amount, 60 month duration SW-11-086 Deutsche Bank AG - \$7.1 million contract license amount, 60 month duration						
Revenue Recognition Method Selected: License Revenue Recognized Ratably on Straight-Line Bases Over Contract Duration						
Year	Revenue					Years of Revenue
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	1,380,714	\$ -	\$ -	\$ 1,380,714		1
2010	1,840,952	870,000	-	2,710,952	96.3%	1
2011	1,840,952	1,740,000	1,065,000	4,645,952	71.4%	1
2012	1,840,952	1,740,000	1,420,000	5,000,952	7.6%	1
2013	1,840,952	1,740,000	1,420,000	5,000,952		1
2014	460,238	1,740,000	1,420,000	3,620,238		1
2015	-	870,000	1,420,000	2,290,000		1
2016	-	-	355,000	355,000		1
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		8
Average				\$ 3,125,595	58.5%	

Year	Cash Received					Years of Cash Received
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Profit Contribution At 87% Gross Profit Margin ^{(4)(a)}					Years of Profit Contribution
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over-Year % Change	
2009	\$ 1,203,814	\$ -	\$ -	\$ 1,203,814		1
2010	1,605,086	758,534	-	2,363,620	96.3%	1
2011	1,605,086	1,517,068	928,550	4,050,704	71.4%	1
2012	1,605,086	1,517,068	1,238,067	4,360,221	7.6%	1
2013	1,605,086	1,517,068	1,238,067	4,360,221		1
2014	401,271	1,517,068	1,238,067	3,156,406		1
2015	-	758,534	1,238,067	1,996,601		1
2016	-	-	309,517	309,517		1
Total	\$ 8,025,430	\$ 7,585,339	\$ 6,190,334	\$ 21,801,103		8
Average				\$ 2,725,138	58.5%	

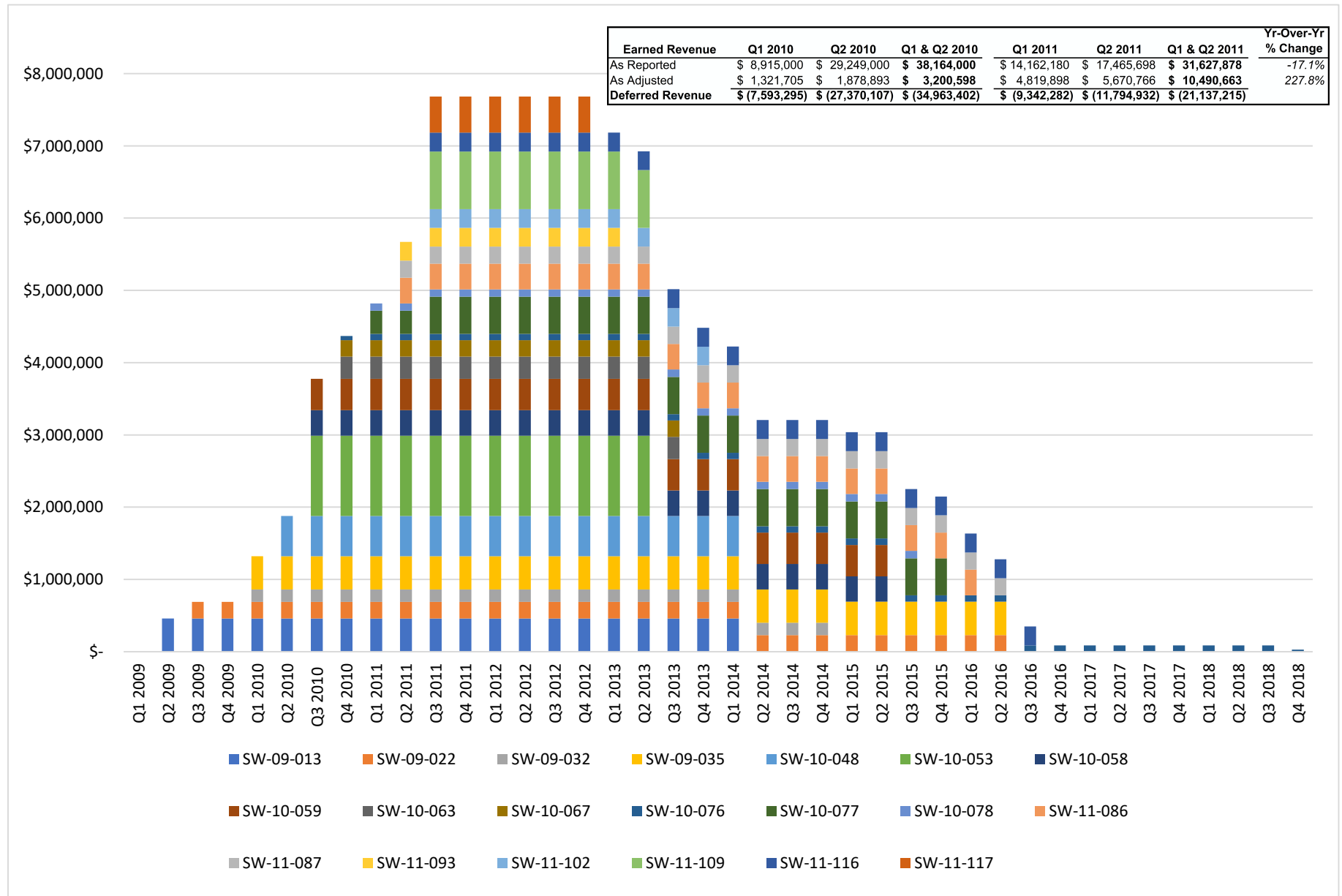
Observations: Company A vs. Company B	
Company B Revenue Total revenue: same Average revenue per year: same Number of years with revenue: more Number of years with no revenue: less (none)	Company B Year-Over-Year % Change During First 3 Years Greater Greater on Average
Company B Cash Total cash received: same Average cash received per year: same Number of years with cash received: same Number of years with no cash received: same	Company B Year-Over-Year % Change During First 3 Years Same Same on Average
Company B Profit Contribution Total profit: same Average profit per year: same Number of years with profit contribution: more Number of years with no profit contribution: less (none)	Company B Year-Over-Year % Change During First 3 Years Greater Greater on Average

Source(s):
(1) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-09-013 Bank of America, NA (Bank of America).pdf.
(2) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-10-059 J P Morgan Chase Bank, N.A. (JPMC).pdf.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-11-086 Deutsche Bank AG (DB Restructure).pdf.
(4) Autonomy Corporation plc Annual Report and Accounts for the year ended 31 December 2010, page 16 and 45.

Note:
(a) The gross profit margin is based on the gross profit as reported in Autonomy's 2010 annual report [(\$701,573,000 + \$57,280,000) / \$870,366,000 = 87%].



Multi-Period Hosting Transactions
 Revenues As Adjusted





Multi-Period Hosting Transactions	Q1 2010 ^(a)	Q2 2010	Q1 & Q2 2010		Q1 2011 ^(a)	Q2 2011	Q1 & Q2 2011		H1 2010 to H2 2011	
									Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾		\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾		\$ 60.73	14.62%
<i>Multi-Period Hosting Revenue Recognized Too Early - Net</i>	(7.59)	(27.37)	(34.96) ⁽³⁾	[A]	(9.34)	(11.79)	(21.14) ⁽³⁾	[A]		
Total Revenue less Hosting Adjustments	\$ 186.59	\$ 193.76	\$ 380.35		\$ 210.45	\$ 244.46	\$ 454.90		\$ 74.56	19.60%
 Total Cost of Revenues	 36.08	 45.22	 81.30 ⁽¹⁾		 39.23	 48.49	 87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17		\$ 135.17	\$ 173.30	\$ 308.47			
<i>Costs and Expenses Related to Multi-Period Hosting Transactions</i>	(0.97)	(3.51)	(4.48) ^(b)	[B = A * (1 - 87%)]	(1.20)	(1.51)	(2.71) ^(b)	[B = A * (1 - 87%)]		
Total Cost of Revenues and Operating Expenses Less Hosting Adjustments	\$ 120.08	\$ 140.61	\$ 260.69		\$ 133.97	\$ 171.79	\$ 305.76			
 Profit from Operations	 \$ 73.13	 \$ 77.01	 \$ 150.14 ⁽¹⁾	[C]	 \$ 84.62	 \$ 82.95	 \$ 167.57 ⁽²⁾	[C]	 \$ 17.43	 11.61%
<i>% of Corresponding Revenue</i>			36.15%				35.20%			
Profit from Operations with Adjustments	\$ 66.51	\$ 53.15	\$ 119.66	[D]	\$ 76.47	\$ 72.67	\$ 149.14	[D]	\$ 29.49	24.64%
<i>% of Corresponding Revenue</i>			31.46%				32.79%			
 Change In Profit From Operations			\$ (30.48)	[E = D - C]			\$ (18.43)	[E = D - C]		
Income Tax ⁽⁴⁾⁽⁵⁾			(7.62) ^(c)	[F = E * 25%]			(4.79) ^(d)	[F = E * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (22.86)	[G = E - F]			\$ (13.64)	[G = E - F]		
 <u>Cash Flow Items</u>										
Impact Net of Income Tax			\$ (22.86)	[H = G]			\$ (13.64)	[H = G]		
Increase in Deferred (Unearned) Revenue Liability			34.96	[I = -A]			21.14	[I = -A]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 12.10	[J = H + I]			\$ 7.50	[J = H + I]		
 Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[K]			\$ 192.50 ⁽²⁾	[K]		
<i>% Increase to Cash Flow from Operations</i>			6.3%	[L = J / K]			3.9%	[L = J / K]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.10 and Appendix F.
(4) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 4.
(5) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, page 5.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) The gross profit margin is based on the gross profit as reported in Autonomy's 2010 annual report [(\$701,573,000 + \$57,280,000) / \$870,366,000 = 87%].
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%". \$(30.48) * 25% = \$(7.62).
(d) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%". \$(18.43) * 26% = \$(4.79).



All Adjustments	Q1 2010 ^(a)	Q2 2010	Q1 & Q2 2010		Q1 2011 ^(a)	Q2 2011	Q1 & Q2 2011		H1 2010 to H2 2011	
									Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾		\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾		\$ 60.73	14.62%
Multi Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96) ⁽³⁾	[A]	(9.34)	(11.79)	(21.14) ⁽³⁾	[A]		
VAR transactions allegedly recognized too early - outs	(9.70)	-	(9.70) ⁽⁴⁾		(10.90)	(21.60)	(32.50) ⁽⁴⁾			
VAR transactions allegedly recognized too early - ins	4.66	10.07	14.73 ⁽⁴⁾		8.32	10.69	19.01 ⁽⁴⁾			
VAR transactions linked to payment to VAR	(15.30)	-	(15.30) ⁽⁴⁾		(12.50)	(7.00)	(19.50) ⁽⁴⁾			
Hardware Adjustment	(11.84)	(31.06)	(42.90) ⁽⁵⁾		(20.09)	(20.85)	(40.94) ⁽⁵⁾			
Linked Transaction Adjustments	(8.50)	-	(8.50) ⁽⁶⁾		(6.45)	-	(6.45) ⁽⁷⁾			
Total Revenue Less Adjustments	\$ 145.90	\$ 172.77	\$ 318.68		\$ 168.83	\$ 205.70	\$ 374.53		\$ 55.85	17.53%
Total Cost of Revenues	36.08	45.22	81.30 ⁽¹⁾		39.23	48.49	87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17		\$ 135.17	\$ 173.30	\$ 308.47			
Costs and Expenses Related to Multi Period Hosting Revenues	(0.97)	(3.51)	(4.48) ^{(8)(b)}	[B = A * (1 - 87%)]	(1.20)	(1.51)	(2.71) ^{(8)(b)}	[B = A * (1 - 87%)]		
Costs and Expenses Related to Alleged VAR Revenues	(8.72)	-	(8.72) ⁽⁴⁾		(11.64)	(8.20)	(19.84) ⁽⁴⁾			
Costs and Expenses Related to Alleged Hardware Revenues	(13.21)	(34.66)	(47.87) ⁽⁵⁾		(21.53)	(23.39)	(44.92) ⁽⁵⁾			
Costs and Expenses Related to Alleged Linked Transactions	-	(11.52)	(11.52) ⁽⁶⁾		(7.01)	-	(7.01) ^{(7)(9)(c)}			
Total Cost of Revenues and Operating Expenses Less Adjustments	\$ 98.15	\$ 94.43	\$ 192.58		\$ 93.79	\$ 140.19	\$ 233.98			
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[C]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[C]	\$ 17.43	11.61%
% of Corresponding Revenue			36.15%				35.20%			
Profit from Operations with Adjustments	\$ 47.75	\$ 78.34	\$ 126.10	[D]	\$ 75.04	\$ 65.50	\$ 140.54	[D]	\$ 14.45	11.46%
% of Corresponding Revenue			39.57%				37.53%			
Change In Profit From Operations			\$ (24.04)	[E = D - C]			\$ (27.03)	[E = D - C]		
Income Tax ⁽¹⁰⁾⁽¹¹⁾			(6.01) ^(d)	[F = E * 25%]			(7.03) ^(e)	[F = E * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (18.03)	[G = E - F]			\$ (20.00)	[G = E - F]		
<u>Cash Flow Items</u>										
Impact Net of Income Tax			\$ (18.03)	[H = G]			\$ (20.00)	[H = G]		
Increase in Deferred (Unearned) Revenue Liability			34.96	[I = -A]			21.14	[I = -A]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 16.93	[J = H + I]			\$ 1.14	[J = H + I]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[K]			\$ 192.50 ⁽¹⁾	[K]		
% Increase to Cash Flow from Operations			8.9%	[L = J / K]			0.6%	[L = J / K]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.10 and Appendix F.
(4) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.8 and Appendix F.
(5) United States' Voluntary Bill of Particulars, dated October 8, 2023, "Summary of Revenue Adjustments (Detailed) - 2009 To October 2011".
(6) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-10-049 FileTek, Inc (FileTek).pdf, page 1-2.
(7) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-11-084 Tottenham Hotspur Plc (Tottenham).pdf, page 1, 3.
(8) Autonomy Corporation plc Annual Report and Accounts for the year ended 31 December 2010, page 16 and 45.
(9) Capital IQ Historical GBPUSD Exchange Rate March 2011.
(10) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 4.
(11) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, page 5.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) The gross profit margin is based on the gross profit as reported in Autonomy's 2010 annual report [(\$701,573,000 + \$57,280,000) / \$870,366,000 = 87%].
(c) £4,370,000 at the Historical Exchange Rate on March 31, 2011 of £0.62305 GBP/USD = \$7,013,883.32.
(d) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%". \$(24.04) * 25% = \$(6.01).
(e) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%". \$(27.03) * 26% = \$(7.03).

Exhibit B

CONFIDENTIAL

UNITED STATES OF AMERICA

v.

MICHAEL RICHARD LYNCH AND STEPHEN KEITH CHAMBERLAIN

EXPERT REPORT OF JOHN LEVITSKE

March 13, 2024

ON BEHALF OF: Michael Richard Lynch

PREPARED FOR: Clifford Chance US LLP



HKA Global, LLC
300 South Wacker Drive
Suite 2600
Chicago, Illinois 60606

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APPENDICES

APPENDIX 1 – JOHN LEVITSKE RESUME

APPENDIX 2 – LIST OF DOCUMENTS RELIED UPON

ATTACHMENTS

ATTACHMENT A.1 - ADJUSTMENTS FOR HARDWARE TRANSACTIONS - H1 2011 COMPARED TO H1 2010

ATTACHMENT B.1 - ADJUSTMENTS FOR ALLEGED LINKED TRANSACTIONS - H1 2011 COMPARED TO H1 2010

ATTACHMENT C.1 - ADJUSTMENTS FOR VAR TRANSACTIONS - H1 2011 COMPARED TO H1 2010

**ATTACHMENT C.2 – ADJUSTMENTS FOR Linked VAR and NORMALIZED DIRECT VAR
TRANSACTIONS - H1 2011 COMPARED TO H1 2010**

**ATTACHMENT D - SAMPLE OF REPRESENTATIVE MULTI-PERIOD HOSTING TRANSACTIONS -
COMPARISON OF ANNUAL REVENUE RECOGNITION UP-FRONT VS. RATABLY - SAMPLE
TRANSACTIONS FROM BRICE REPORT TABLE 2.10**

ATTACHMENT E - MULTI-PERIOD HOSTING TRANSACTIONS - REVENUES AS ADJUSTED

**ATTACHMENT F.1 – ADJUSTMENTS FOR MULTI-PERIOD HOSTING TRANSACTIONS - H1 2011
COMPARED TO H1 2010**

**ATTACHMENT G.1 – ADJUSTMENTS FOR HARDWARE, LINKED, VAR, AND MULTI-PERIOD
HOSTING TRANSACTIONS - H1 2011 COMPARED TO H1 2010**

**ATTACHMENT G.2 – ADJUSTMENTS FOR HARDWARE, LINKED, AND MULTI-PERIOD HOSTING
TRANSACTIONS - H1 2011 COMPARED TO H1 2010**

**ATTACHMENT G.3 – ADJUSTMENTS FOR HARDWARE, LINKED, NORMALIZED VAR AND MULTI-
PERIOD HOSTING TRANSACTIONS - H1 2011 COMPARED TO H1 2010**

1. INTRODUCTION

- 1.1.1 HKA was retained by Clifford Chance US LLP, counsel for Dr. Michael Richard Lynch in this matter. I, John Levitske, a Partner at HKA, was asked to serve as a defense expert to advise regarding valuation process and relevant considerations in the process related to the acquisition of a former software company called Autonomy Corporation plc (“Autonomy”) by Hewlett Packard Company (“HP”).
- 1.1.2 I previously prepared and submitted the “Expert Report of John Levitske,” dated December 7, 2023, in this matter. Subsequently, I received and considered the second report by Mr. Brice, “Summary of Independent Accounting Expert Report” dated January 3, 2024. In part, the January 3, 2024 report by Mr. Brice provides additional information that I did not have when preparing my December 7, 2023 report.
- 1.1.3 This herein is my revised Report. Where I do not comment on a particular conclusion or paragraph of either of the two reports by Mr. Brice, it should not be taken as my agreement with that conclusion or paragraph.

1.2 QUALIFICATIONS

- 1.2.1 I, John Levitske, CFA, ASA, CPA/ABV/CFF/CGMA, CIRA, MCFLC, MBA, JD, am currently employed as a Partner of HKA Global, LLC (“HKA”), based in the company’s Chicago, Illinois office. My office contact information is: 300 South Wacker Drive, Suite 2600, Chicago, Illinois, USA; email johnlevitske@hka.com; telephone +1.312.521.7484.
- 1.2.2 I am a business appraiser, financial analyst, and forensic accountant with more than 35 years of experience. I am experienced in the valuation of companies and stakeholder interests.
- 1.2.3 I am a member of HKA’s Forensic Accounting and Commercial Damages practice. HKA is a global consultancy in risk mitigation, dispute resolution, expert witness, and litigation support. As well as more than 500 expert witnesses, HKA has in excess of 500 advisors and consultants in over 45 offices across 17 countries. The United States headquarters of HKA is in Philadelphia, Pennsylvania and the global headquarters is in London, England. Further information regarding HKA is at www.HKA.com.
- 1.2.4 I hold several professional credentials in business valuation, finance, and forensic accounting: Chartered Financial Analyst (CFA) by the CFA Institute; Accredited Senior Appraiser (ASA) in Business Valuation by the American Society of Appraisers; Accredited in Business Valuation (ABV), Certified in Financial Forensics (CFF), and Chartered Global Management Accountant

(CGMA) by the American Society of Certified Public Accountants; and Certified Insolvency and Restructuring Advisor (CIRA) by the Association of Insolvency and Reorganization Advisors. In addition, I am a licensed Certified Public Accountant (licensed in Illinois and Pennsylvania).

- 1.2.5 I attained a Master of Business Administration degree, *cum laude*, from the University of Notre Dame, and Bachelor of Science in Business Administration, with a major in accounting, and Juris Doctor degrees from Duquesne University. I also completed Executive Education in Corporate Valuation at the University of Pennsylvania, Finance at New York University, and Financial Modeling at the University of Georgia.
- 1.2.6 Prior to HKA, I worked with Big Four public accounting, global valuation and corporate financial advisory, and international business advisory and expert consulting firms. I founded a business valuation dispute analysis practice, co-founded an acquisition agreement vetting practice, and was one of the leaders of a post-acquisition dispute practice.
- 1.2.7 I also currently teach as an adjunct faculty member at Benedictine University's Goodwin College of Business in Lisle, Illinois. I previously served as a Chartered Financial Analyst (CFA) Examination grader, and a national exam question writer for the Uniform Certified Public Accountant (CPA) Exam and the American Institute of Certified Public Accountants' Accredited in Business Valuation Exam. I previously taught finance and accounting at the University of Pittsburgh and auditing at Point Park University. In addition, I served as a member of the Standing Committee on Audit of the American Bar Association entity.
- 1.2.8 I have previously been accepted as an expert witness in business valuation, economic damages, and forensic accounting in courts and arbitration proceedings in the United States, the Caribbean and Europe. I was selected several times to *Who's Who Legal (WWL) – Consulting Experts, Financial Advisory and Valuation – Quantum of Damages* and in 2023 as a "Global Leader" in that recognition category. Previously, I was selected to *Leaders League: USA Best Arbitration Support Firms, Leading Firms Tier, Key Figure*, 2019 and *Who's Who Legal: International Arbitration, Commercial Experts*, 2011.
- 1.2.9 Below is a summary of my professional employment history.
- a) HKA Global, LLC, Partner, 2023 - present
 - b) Benedictine University, Adjunct Faculty Lecturer, 2022 - present
 - c) Ankura Consulting Group, Senior Managing Director, 2017 - 2022

- d) Huron Consulting Group, Senior Director, 2016 - 2017
- e) Houlihan Lokey, Managing Director, 2014 - 2016
- f) Duff & Phelps, Managing Director, 2005 - 2014
- g) Standard & Poor's, a business unit of McGraw-Hill Companies, Managing Director, 2004 - 2005
- h) FTI Consulting, Director, 2003 - 2004
- i) KPMG, Director, 2000 - 2003
- j) Deloitte, Director, 1995 - 2000
- k) Mark I. Wolk & Associates, CPA's, Director, 1985 - 1995
- l) Group "L" Investors & Developers, Partner, 1980 - 1985
- m) Westinghouse Electric Corporation, Associate Accounting Analyst, 1979 - 1980.

1.2.10 Below is a list of publications I authored or co-authored in the previous 10 years.

- a) "Business Divorce", In Recent Developments in Business and Corporate Litigation, American Bar Association, Business Law Section, 2023, 2022, 2021 and 2020 editions
- b) "Has the Pandemic Increased the Need for Expert Witnesses in M&A Disputes?", American Bar Association, Litigation Section, Expert Witnesses Committee, *December 2021*
- c) "The Independent Accountant or Business Valuator as Advisor to the Mediator", American Bar Association, Litigation Section, Expert Witnesses Committee, *December 2021*
- d) "Measuring Valuation Damages for Breach of Fiduciary Duty Claims in Shareholder Disputes During the COVID-19 Pandemic", *Sound Advice*, July 2021
- e) "Contemporary Considerations for Drafting Buy-Sell and Valuation Provisions in Limited Liability Company Operating Agreements", *Business Law Today*, May 2021
- f) "Innovative Dispute Resolution: The Independent Business Valuator as Advisor to the Mediator in Business Disputes", Ankura.com, *January 2021*

- g) "Internal Corporate Investigations", In *Guide for In-House Counsel*, American Bar Association, Business Law Section, 2020
- h) "Internal Corporate Investigations", *Business Law Today*, Parts 1 and 2, December 2019 & April 2020
- i) "Preparing In-House Counsel and External Lawyer Advocates for Effective, Good-Faith Mediation of Mergers & Acquisitions", *Business Law Today*, February 2018
- j) "Reflections on the 1-2-3's of Mediation of a Merger & Acquisition Dispute", *Business Law Today*, July 2017
- k) "Well-Established Principles Key to Expert Witness Testimony", *Paradigm*, July 2017
- l) "Current Dell Appraisal Rights Litigation Case on Appeal in Delaware Chancery Court May Provide Valuation Insights", *Paradigm*, June 2017
- m) "Why It Pays to Invest in Expert Analysis", *Paradigm*, March 2017
- n) "Managing Post-Merger & Acquisition Purchase Price Disputes", In *ADR Handbook for the Business Lawyer*, American Bar Association, Business Law Section, 2016.

1.2.11 Below is a list of other cases in which, during the previous 4 years, I testified as an expert at trial or by deposition.

Year	Forum	Action or Proceeding	Description
2024	Judicial Arbitration & Mediation Services (JAMS), Chicago	Karounos and Big Chicago, Inc. v. King	Expert Testimony at Arbitration Hearing
2024	JAMS, Chicago	Karounos and Big Chicago, Inc. v. King	Expert Testimony at Deposition
2022	Eastern Caribbean Supreme Court, High Court of Justice, Territory of the Virgin Islands, Law Division	Ikana Holdings S. de R.L. v. Putney Capital Management Ltd. et al.	Expert Testimony at Trial
2021	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Trial
2020	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Deposition
2020	Superior Court of New Jersey, Morris County, Law Division	Ashland LLC, International Specialty Products, Inc., and ISP Environmental Services, Inc. v. G-I Holdings Inc., Building Materials Corporation of America d/b/a GAF Materials Corporation and GAF Corporation, et al.	Expert Testimony at Deposition
2020	U.S. Bankruptcy Court, Northern District of Texas, Chapter 11	In re: TriVascular Sales LLC et al., Debtors	Expert Testimony at Deposition

1.3 RETENTION

- 1.3.1 HKA was retained by Clifford Chance US LLP, counsel for Dr. Michael Richard Lynch in this matter. I, John Levitske, a Partner at HKA, was asked to serve as an expert to advise regarding valuation process and relevant considerations related to the acquisition of Autonomy.
- 1.3.2 In this regard, I was asked to consider select asserted revenue adjustments to the interim historical financial statements of Autonomy for the First Half ("H1") of 2010 (six months ended June 30, 2010) and the First Half of 2011 (six months ended June 30, 2011) ("Subject Period"), and I was asked to render opinions on the following areas in paragraphs 1.3.3 through 1.3.7.
- 1.3.3 The impact of each of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, and the year-over-year percentage change or growth between H1 2011 compared to H1 2010 in the context of how companies are generally valued. The specific asserted revenue adjustments are in the categories of:
- a) Hardware Transactions
 - b) Allegedly Linked Transactions
 - c) Value Added Reseller ("VAR") Transactions
 - i) Direct VAR Transactions
 - ii) Allegedly Linked VAR Transactions
- 1.3.4 In addition, I was asked to consider certain specific asserted revenue adjustments to the interim historical financial statements of Autonomy for 2009 through H1 2011 relating to Multi-Period Hosting Transactions, and I was asked to render opinions on the following areas in paragraphs 1.3.5 through 1.3.7.
- 1.3.5 The impact of the asserted revenue adjustments for Multi-Period Hosting Transactions on revenues, cash, profit from operations, and year-over-year percentage change or growth by providing an illustration using some of the amounts of the actual contracts at issue. In addition, I compared the impact on revenues and year-over-year percentage change or growth using all of the amounts of all of the actual contracts at issue.
- 1.3.6 Whether the asserted revenue adjustments, listed above in 1.3.3 through 1.3.5, likely did or did not have a significant impact on cash flow during the Subject Period.

- 1.3.7 Valuation methods for valuing companies (and their equity) for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company: Discounted Cash Flow (“DCF”) Method, Earnings-based measures, or Revenues-based measures.
- 1.3.8 This is my revised Report. In preparing this Report, I considered:
- a) The United States’ Voluntary Bill of Particulars (“VBOP”) and the summary tables it incorporates,¹ the Independent Accounting Expert Report of Mr. Brice (“Brice Report”), and the additional Summary of Independent Accounting Opinions of Mr. Brice, dated January 3, 2024 (“The January 3, 2024 Brice Report”).² For purposes of my work and this Report, I assumed the accuracy of the specific revenue adjustments asserted in the VBOP and in both of the Brice Reports that I relied upon.
 - b) Generally accepted valuation theory, practice and standards regarding companies and stocks. During the course of my work, I considered valuation standards, textbooks and other valuation and finance publications, as well as certain assumptions I have been asked to make by counsel as explained below.
 - c) Public research regarding companies and industry related to this Report.
- 1.3.9 HKA billed for my services on this matter at a rate of \$750 per hour. Hourly rates for other team members who worked on this engagement under my supervision are in the range of \$285 to \$675. The opinions expressed in this Report are mine and mine alone. No compensation to be paid to HKA is contingent on the outcome of this matter or the content of my opinions.

1.4 DISCLOSURE OF INTERESTS

- 1.4.1 I am not aware of any actual or potential conflicts of interest that may affect my opinion in connection with any of the Parties, witnesses or advisers involved in this matter or indeed with the project itself.
- 1.4.2 Should I become aware of any conflicts of interest in the future I will promptly notify those who retained HKA.

¹ United States’ Voluntary Bill of Particulars, dated October 8, 2023, and related tables.

² Both Brice Reports: Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 and January 3, 2024 and Appendices. HKA has not been provided with the underlying data that supports the Brice Reports and Appendices. I have made certain assumptions as directed by counsel and I have made certain assumptions to facilitate analysis.

1.4.3 I confirm that I have no financial or other interest in the outcome of this action.

1.5 RESERVATIONS

1.5.1 This is a summary Report. My opinions are summarized below and are based on the documents and information in my possession as of the date of this Disclosure. I reserve the right to amend this Report if further information or documents are provided to me or otherwise become available to me. Also, I am continuing to review the information in this case and may have updates to supplement this Report. I reserve the right to respond to any additional information obtained through discovery or issues raised by other experts, if any. In addition, I reserve the right to prepare additional exhibits, charts, graphs, tables, demonstratives, and diagrams to summarize or support the opinions and analyses set forth in this Report.

1.5.2 If called as a witness at trial, I may testify to some or all of the opinions in this Report. I will notify Clifford Chance, in writing, if, for any reason, my existing Report requires any correction or qualification that impacts my opinion(s).

2. SUMMARY OF OPINIONS

2.1 ASSERTED REVENUE ADJUSTMENTS

2.1.1 My opinions are summarized below regarding the impact of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, cash flow, and the year-over-year percentage change or growth between H1 2011 compared to H1 2010 in the context of how companies generally are valued.

2.1.2 Generally, a comprehensive valuation of a company considers all facts and factors relevant to valuation and requires application of informed judgment by the analyst. In developing the valuation of a company, the insights obtained from financial statement analysis are often considered. For example, financial statement ratio analysis and comparisons of the changes in the most recent period with the same prior period may provide insights into profitability in earnings or cash flow, growth or variability which are important valuation factors. Moreover, financial statement analysis for valuation purposes commonly considers adjustments to identify economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons. As part of this, financial statement analysis for valuation purposes can provide greater visibility into the compositions of cash flow³, segregate the benefits or impacts of ancillary

³ In general, cash flow is the cash that is generated over a period of time by an asset, group of assets, or business enterprise.

activities from the core business activities, and assess whether or not any line of business might be abandoned with benefit to the company. In this situation, from an economic perspective, it is my understanding that the Hardware, Allegedly Linked and VAR Transaction activities at issue could be discontinued from Autonomy's operations. All other things equal, projections of higher profits, higher expected profit margins, higher expected growth, higher expected cash flows⁴ and less expected variability are factors contributing to higher valuations.

2.1.3 Different companies often make different choices among acceptable alternative accounting methods. Accounting decisions are often based upon estimates. Different choices among accounting methods can affect the reported figures, and the calculated ratios and comparative changes. For the purposes of my Report only, I have assumed, hypothetically, that the revenue accounting adjustments asserted in the VBOP and the Brice Reports that I have relied upon in this Report are appropriate. I have been asked to opine about the impact of applying those hypothetical adjustments to Autonomy's historical reported financial statements, as described herein.

2.1.4 In assessing the impact of each of the asserted revenue adjustments on the amounts of profit from operations, profit from operations margins, and the year-over-year percentage change or growth between H1 2011 compared to H1 2010 in the context of how companies generally are valued, I considered the specific asserted revenue adjustments in the following categories:

- a) Hardware Transactions
- b) Allegedly Linked Transactions
- c) Value Added Reseller ("VAR") Transactions
 - i) Direct VAR Transactions
 - ii) Allegedly Linked VAR Transactions
- d) Multi-Period Hosting Transactions, as further discussed below.

2.1.5 Then, based on my knowledge of financial statement analysis in the context of business valuation,⁵ I considered whether these asserted items are in effect an issue of:

⁴ Also, higher cash flow as a percentage of revenue indicates greater efficiency as a cash flow generating operation and is a factor that contributes to higher valuation.

⁵ Business valuation typically assumes a long-term investor perspective; and a long-term Fair Market Value, Investment Value, Intrinsic or Fundamental Value, Investor, as applicable.

- a) Reclassification to a different line in the financial statement,
- b) Timing, or
- c) A corresponding counter-transaction.

2.1.6 Next, I applied the asserted revenue adjustments for H1 2010 and H1 2011, and also made corresponding reclassifications, timing adjustments or counter-transaction adjustments based upon information from the Brice Reports and the VBOP, as well as certain assumptions I was asked to make.⁶

2.1.7 The Second Quarter of 2011 is the last reported financial quarter before the acquisition. As a result, a comparison of H1 2011 (i.e., First and Second Quarter of 2011) to H1 2010 (i.e., First and Second Quarter of 2010) is the most recent same period of comparison available using public information when valuing Autonomy around August 18, 2011 (“Valuation Date”).⁷ Furthermore, in financial statement analysis for valuation purposes, the most recent periods are often given the most weight – all other things equal.

Hardware Transactions

2.1.8 According to the Brice Reports, Hardware Transactions occurred and were included in Autonomy’s reported revenue but were not segregated into a separate disclosed line item in Autonomy’s reported revenue.⁸ I have been asked to opine about the impact on financial statement analysis in the context of a valuation of removing the Hardware Transactions revenues in the Subject Period. Furthermore, I understand, and the Brice Reports confirm, that the costs of hardware sales generally exceeded the revenues from hardware sales,⁹ and that the costs of hardware sales were included as costs and expenses in the financial statements of Autonomy, just not segregated.

2.1.9 In Attachment A.1, I prepared a summary comparison of the common size (as a percent of revenue) historical income statement components of Autonomy’s profit from operations with and without the asserted Hardware Transactions – for the periods of H1 2011 compared to H1 2010. I

⁶ See Attachments A.1, B.1, C.1, C.2, F.1, G.1, G.2, and G.3.

⁷ HP’s acquisition of Autonomy was announced on August 18, 2011.

<https://www.businesswire.com/news/home/20110818006398/en/HP-to-Acquire-Leading-Enterprise-Information-Management-Software-Company-Autonomy-Corporation-plc>

⁸ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, pages 38-39.

⁹ The Brice Reports state, “most of these [hardware] sales were made at a loss to Autonomy, because the price at which the hardware was sold by Autonomy was less than the price at which it had been purchased.” Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 38.

removed the alleged hardware-related revenue adjustments indicated in the VBOP¹⁰ and also removed the related costs that are already included in cost of goods sold ("COGS") and expenses as indicated in HP's "Rebaselining" Summary¹¹ ("Rebaselining Exercise"). Attachment A.1 removes both the sales and costs in the interest of consistency and has the same effect from a financial statement analysis perspective as if the hardware sales and costs were both reclassified out of components of profit from operations.

2.1.10 As previously mentioned, financial statement analysis for valuation purposes commonly considers adjustments to identify economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons. As part of this, financial statement analysis for valuation purposes can provide greater visibility into the compositions of cash flow and segregate the benefits, or impacts of ancillary activities from the core business activities, and assess whether or not any line of business might be abandoned with benefit to the company.

2.1.11 As illustrated in Attachment A.1, after the Hardware Transaction adjustments:

- a) Profit from operations is now greater than reported during both H1 2010 and H1 2011.
- b) The profit from operations margin, as a percent of revenue, is now greater for both H1 2010 and H1 2011.
- c) The rate of year-over-year change (growth) in revenue is now greater than the year-over-year change based upon the originally reported amounts.
- d) The rate of year-over-year change (growth) in profit from operations is approximately 1 percentage point lower than the year-over-year change based upon the originally reported amounts.
- e) Autonomy's cash flows would likely have been higher.
- f) Autonomy's cash flow as a percent of revenue would likely have been higher than based upon originally reported amounts.

¹⁰ United States' Voluntary Bill of Particulars, dated October 8, 2023, table "Summary of Revenue Adjustments (Detailed) 2009 – October 2011." I removed Hardware revenue amounts shown in this table. Removal of Hardware revenue is indicated by the line "Percentage restated (including hardware revenue)," which is calculated after the removal of Hardware revenue from this table in its entirety.

¹¹ K26_263.1.xlsx. I was asked to assume that the adjustments suggested in the "Rebaselining Exercise" are accurate.

2.1.12 I also considered the comments and analysis regarding Hardware Transactions in the January 3, 2024 Brice Report,¹² and find them corroborative of the reasonableness of my conclusions. The January 3, 2024 Brice Report departs from the VBOP, and Mr. Brice asserts different revenue adjustments which are much smaller than those asserted by the VBOP. Nevertheless, the January 3, 2024 Brice Report:

- a) Shows revenue growth between H1 2010 and H1 2011 of 12.5%, after adjustments, while my analysis shows revenue growth in the same period of 16.8%.
- b) Asserts that the costs of hardware sales generally exceed the revenue. The January 3, 2024 Brice Report states, “[o]n the basis that the transactions were primarily loss making, their removal would be expected to increase reported profits and reported margins.”¹³
- c) The above statements from the Brice Reports together corroborate my conclusion that the asserted adjustments to Hardware Transactions revenue and corresponding expenses would indicate that Autonomy’s cash flow would likely have been higher.

Alleged Linked Transactions

2.1.13 The Brice Reports allege that Autonomy paid more to purchase goods from customers in certain alleged linked transactions than the same customers paid to purchase software from Autonomy.¹⁴ In reference to the Alleged Linked Transactions, Mr. Brice states, “I have identified a number of Software Focus Transactions which, pursuant to the requirements of IFRS, should have been considered together with certain other linked transactions entered into by Autonomy,” and “when considering the linked transactions together, it is clear that the revenue recognition requirements of IFRS were not met and therefore the revenue should not have been recognized.”¹⁵ In line with Mr. Brice’s assertions that these items involve obligations¹⁶ and should be “accounted for the linked sales and purchases to and from the same customer as a single transaction,”¹⁷ from a financial statement analysis perspective, eliminating the revenue from these transactions would also require reducing corresponding alleged linked costs and expenses.

¹² Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, Appendix J.

¹³ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 69.

¹⁴ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 25.

¹⁵ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 25.

¹⁶ For example, related to Transaction #045, Mr. Brice states “Capax Discovery was also obliged to pay Autonomy,” and that timing of payments between Capax and Autonomy “suggests a link between the two.” Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F, #045, Capax Discovery, LLC (FSA - Capax).

¹⁷ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 26.

- 2.1.14 The corresponding costs and expenses reside in part in amortization expense and the remainder in unamortized capitalized costs. Removing 100 percent of the revenue (an income statement item) would require from an economic matching concept perspective also removing 100 percent of the corresponding amortization expense (an income statement item) plus removing the remainder of unamortized capitalized costs (a cash flow item).
- 2.1.15 As illustrated in Attachment B.1, after these adjustments for Allegedly Linked Transactions:
- a) Profit from operations is now lower than reported during both H1 2010 and H1 2011.
 - b) The profit from operations margin, as a percent of revenue, is now lower for H1 2010 and within .6 percent for H1 2011.
 - c) The rate of year-over-year change (growth) in revenue is now greater than the year-over-year change based upon the originally reported amounts.
 - d) The rate of year-over-year change (growth) in profit from operations is now greater than the year-over-year change based upon the originally reported amounts.
 - e) Autonomy's cash flows would likely have been higher than originally reported.
 - f) Autonomy's cash flow as a percent of revenue would likely have been higher than based upon originally reported amounts.

VAR Transactions

- 2.1.16 The Brice Reports allege revenue recognition issues with certain VAR Transactions.¹⁸ Accordingly, I identified and considered what type of VAR transaction was involved. I was also asked by counsel to make certain assumptions regarding these transactions which I explain below.
- 2.1.17 With respect to certain of the VAR Transactions, Autonomy allegedly entered into a transaction with the named end user in a subsequent period to sell the same or similar software for the same or similar amounts of revenue, then cancelled the amounts owed by the VAR in the original transaction. For these VAR Transactions allegedly made directly to end users in subsequent periods (which I have identified as "Direct VAR Transactions"), I have been asked to assume that the revenue from the direct sale to the end user would have been properly recognized in the

¹⁸ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 20.

quarter in which the direct sale was made,¹⁹ and that the accounting difference relates only to the timing of when revenue should have been recognized; there is no allegation of missing revenue. In 2010, because some VAR Transactions did not go direct within the Subject Period, the revenue would be lower in the First Quarter of 2010, but would have been recognized in the Third Quarter of 2010, which is not included in our analysis. In 2011, because some VAR Transactions did not go direct until after the end of the Subject Period, the revenue would be lower in the Second Quarter of 2011, but there were deals that would have been recognized only one quarter later in the Third Quarter of 2011.²⁰ Therefore, many of the revenue adjustments asserted by the Brice Reports have a mis-matched impact when looking at specific periods.

- 2.1.18 With respect to certain VAR Transactions, the VAR paid cash for the transaction, but allegedly only as a result of Autonomy buying other goods from the VAR. I refer to these transactions in the Report as “Allegedly Linked VAR Transactions.” Similar to the other Allegedly Linked Transactions, from a financial statement analysis perspective, if Autonomy’s purchases from the VARs are deemed linked transactions, preventing revenue from being recognized in the original VAR Transactions, it is necessary to also eliminate the corresponding cost and expense associated with the allegedly linked purchases from the VARs. Because these transactions were treated in the Brice Report as linked,²¹ I have been asked to consider the effect of offsetting or netting the revenue with corresponding costs and expenses. Sometimes the corresponding allegedly linked cost or expense was higher than the allegedly linked revenue and sometimes the associated cost or expense was lower. The net effect would reduce, offset, or exceed the impact of the asserted revenue adjustment depending on the particular transaction.
- 2.1.19 For certain of the VAR Transactions, the corresponding costs and expenses reside in part in amortization expense and the remainder in unamortized capitalized costs.²² For these items, removing 100 percent of the revenue (an income statement item) would require from a matching concept perspective removing 100 percent of the corresponding amortization expense (an income statement item) plus removing the remainder of unamortized capitalized costs (a cash flow item).
- 2.1.20 As previously noted, a comprehensive valuation of a company generally considers all facts and factors relevant to valuation and requires application of informed judgment by the analyst.

¹⁹ I made revenue adjustments based on the adjustments presented in Mr. Brice’s reports. Related to the VAR Transactions, Mr. Brice states, “In correcting these Misstatements, I have reversed the revenue originally recognised by Autonomy in relation to the sale of the software licence to the VAR. In some instances, Autonomy entered into a direct transaction with the named end-user after the date of the VAR agreement, but did not recognise revenue in relation to these subsequent sales. In those situations, I have recognised the revenue arising from these subsequent direct sales in accordance with their substance.” Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 24.

²⁰ See Transactions #089 and #105 from Appendix F of the Brice Reports.

²¹ Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, page 21.

²² See Transaction #050 from Appendix F of the Brice Reports.

Financial statement analysis for valuation purposes considers context and may include normalization adjustments. The VAR Transactions and their impact on the subject periods is episodic and sporadic, and fluctuates significantly by quarter and half year. In addition, much or all of the impact of these transactions are offset in the near term. Also, as previously noted, many of the revenue adjustments asserted by the Brice Reports have a mis-matched impact when looking at specific periods.

- a) For example, the Brice Reports assert that two VAR Transactions entered into during the Second Quarter of 2011 were later cancelled when sales did not close with the end user.²³
- b) Furthermore, as noted above, sometimes the corresponding allegedly linked cost or expense was higher than the allegedly linked revenue and sometimes the associated cost or expense was lower.
- c) In 2010, because some VAR Transactions did not go direct within the Subject Period, the revenue would be lower in H1 2010, but would have been recognized in the Third and Fourth Quarters of 2010, which are not included in our analysis. In 2011, because some transactions did not go direct until after the end of the Subject Period, the revenue would be lower in the Second Quarter of 2011, but there were two deals which were recognized and realized only one quarter later for revenue of approximately \$13.6 million²⁴ in the Third Quarter of 2011. This indicates that much or all of the impact of the asserted revenue adjustments to Direct VAR Transactions are offset in the near term.
- d) The net effect would reduce, offset, or exceed the impact of the asserted revenue adjustment in the near-term depending on the particular VAR Transaction.
- e) For the Direct VAR Transactions during the Subject Period, the net of the related asserted revenue adjustments (ins and outs) asserted by the Brice Reports would result in a net increase of revenue in H1 2010 of approximately \$3 million and net reduction in H1 2011 of approximately \$26 million. The average of the asserted revenue adjustments between the two half years in the Subject Period is a net reduction of approximately \$11.62 million.²⁵
- f) The Brice Reports also include data for the entire period of 2009 through late 2011. For the entire period of 2009 through 2011, the Brice Reports' asserted data indicates the following.

²³ See Transactions #101 and #120 from Appendix F of the Brice Reports.

²⁴ See Transactions #089 and #105 from Appendix F of the Brice Reports.

²⁵ See Attachment C.1 and Table 2.

- i) It asserts revenue adjustments for these same Direct VAR Transactions. The data shows a mix of positive net revenue adjustment quarters (net ins exceed net outs) and negative revenue adjustment quarters (net outs exceed ins).
- The median amount ultimately realized on the Direct VAR Transactions was 80.1 percent and the mean (average) was 62.9 percent.²⁶
 - The median time to realize was approximately .5 years (6 months) and the mean was .73 years (9 months).²⁷
- ii) This data further corroborates that much or all of the impact of these asserted revenue adjustments to Direct VAR Transactions are offset in the near term. See Table 1 below.²⁸

Table 1					
Summary of Direct VAR Revenue Realized Q1 2009 - Q4 2011 (in \$mm)					
Transactions	Revenue from Initial Agreement with the VAR (Outs)	Revenue Realized from Agreement with the End User Through Q4 2011 (Ins)	% of Revenue Realized	Time to Realize Revenue (Years)	
Direct VAR Transaction #020 - NSA	\$ (4.76)	\$ 3.50	73.5%	0.75	
Direct VAR Transaction #028 - IBM/Ameriprise	(3.83)	2.25	58.8%	2.25	
Direct VAR Transaction #038 - Dell - Morgan Stanley	(4.66)	4.66	100.0%	0.25	
Direct VAR Transaction #040a - Capax	(5.99)	5.30	88.6%	1.25	
Direct VAR Transaction #046 - PMI (Discover)	(4.19)	4.19	100.0%	0.25	
Direct VAR Transaction #051 - DiscoverTech - Citi 32 cells	(5.50)	4.98	90.5%	0.50	
Direct VAR Transaction #079 a / b / c / d - Bank of America	(12.20)	1.48	12.1%	1.00	
Direct VAR Transaction #082 - KPMG	(6.00)	2.70	45.1%	0.50	
Direct VAR Transaction #090 - Bank of Montreal	(2.88)	2.88	100.0%	0.50	
Direct VAR Transaction #101 - ABBOTT LABS - dt	(8.61)	-	0.0%	Cancelled	
Direct VAR Transaction #089 - UBS	(8.00)	See #089 and #105	See #089 and #105	0.50	
Direct VAR Transaction #105 - UBS - capax	(7.66)	See #089 and #105	See #089 and #105	0.25	
Direct VAR Transactions #089 & #105	See #089 and #105	13.59	86.7%	N/A	
Direct VAR Transaction #120 - Dell Hyatt - mt	(5.33)	-	0.0%	Cancelled	
Total	\$ (79.60)	\$ 45.52			
Mean			62.9%	0.73	
Median			80.1%	0.50	
Mean	Excluding Cancelled Transactions #101 and #120		75.5%		
Median	Excluding Cancelled Transactions #101 and #120		87.7%		

- iii) From an analytical perspective, the data also indicates that the Brice Reports' asserted adjustment pertaining to H1 2011, a net revenue reduction of approximately \$26 million, appears to be an outlier in size (amount) and high in comparison to the average all

²⁶ "Time to Realize" is calculated as the number of quarters after the asserted revenue adjustment from the Brice Reports through the quarter in which the Brice Report indicates the full revenue amount of the subsequent Direct VAR Transaction was recognized, or through Q4 2011 (because Q4 2011 was the cutoff point). Mean is the arithmetic average; median is the midpoint. "Realization" rate is calculated as:

- Numerator: Amount of revenue from initial agreement with the VAR

- Denominator: Amount of revenue realized from subsequent agreement with the end user through Q4 2011

²⁷ "Time to Realize Revenue" goes only through Q4 2011. Revenue recognition for some transactions likely may have continued after 2011; therefore the above means and medians for "% of Revenue Realized" are likely understated and that the actual percent of revenue realized is eventually more. In fact, additional revenue recognition was scheduled to continue through Q1 2012 for Transaction #028 (\$0.3 million remaining to realize after Q4 2011) and through Q1 2016 for Transaction #079d (\$6.5 million remaining to realize after Q4 2011). See Transactions #028 and #079 a, b, c, and d from Appendix F of the Brice Reports.

²⁸ Data is derived from Appendix F of the Brice Reports.

periods realization rate for these same transactions. Applying the aforesaid average realization rate to the Brice Report's asserted adjustment for H1 2011 would indicate a net revenue reduction adjustment in H1 2011 of only approximately \$9.7 million,²⁹ instead of \$26 million. See Table 2 below in which I calculate the \$9.7 million amount.³⁰

Table 2				
Direct VAR Normalized Adjustment				
	Asserted Adjustment from Brice Report	Average Revenue Realized 2009 - 2011	Asserted Net Adjustment Times Average Realization	Difference: Normalized Adjustment
H1 2011 Out	\$ (32.49)	62.9%	\$ 20.45	
H1 2011 In	6.28	62.9%	(3.95)	
H1 2011 Net	\$ (26.21)		\$ 16.50	\$ (9.71)
Compare:			Revenue Realized in Q3 2011	Average Asserted Brice Adjustment
Average H1 2010 and H1 2011				\$ (11.62)
Realization in Q3 2011 for Transactions #089 & #105			\$ 13.59	

- g) As noted previously, financial statement analysis for valuation purposes commonly considers adjustments to identify economic benefits adjusted for nonrecurring, noneconomic, or other unusual items to eliminate anomalies and/or facilitate comparisons. Financial statement analysis for valuation purposes considers context and may include normalization adjustments.³¹ In my analysis:
- i) I made adjustments for and related to the asserted adjustments from the Brice Reports for Direct VAR Transactions. The overall results are illustrated in Attachment C.1.
 - ii) In addition, I made a further refinement. I made a normalization adjustment to the Direct VAR Transactions revenue adjustment for H1 2011 asserted by the Brice Reports. In context, given the various facts and factors regarding the Brice Reports' asserted revenue adjustments for H1 2011 for Direct VAR Transactions, including those summarized herein (such as fluctuations, realization, size, near-term timing, etc.), I deem a normalization adjustment to be an appropriate consideration for developing a financial statement

²⁹ Two of the H1 2011 deals in the asserted revenue adjustments of \$26 million by the Brice Report were recognized as revenue only one quarter later in H2 2011 for revenue of approximately \$13.6 million. See Transactions #089 and #105 from Appendix F of the Brice Reports. This further corroborates the expectation of sizeable near term realization.

³⁰ The Brice Reports deemed 100 percent of the \$6.28 million in Table 2 realized in this period. Therefore, the size of the Normalized Adjustment would be smaller if 100 percent of the Revenue In had been included.

³¹ Normalization adjustments often consider nonrecurring items, or items that are not part of a company's normal business operations, that a hypothetical new owner may expect not to occur in the future. They may be utilized to assess the cash flow a company may expect to generate going forward. Financial statement normalization may enable more reliable comparisons and forecasting.

analysis and assessment of cash flow for valuation purposes. The overall results, with this normalization adjustment, are illustrated in Attachment C.2.

Before Normalization Adjustment

2.1.21 As illustrated in Attachment C.1, the overall result of adjusting for these VAR Transactions, from a financial statement analysis for valuation purposes perspective (without incorporating my aforesaid normalization adjustment), shows the following.

- a) Profit from operations is now lower than originally reported for both H1 2010 and H1 2011.
- b) The profit from operations margin, as a percent of revenue, is now lower for both H1 2010 and H1 2011.
- c) The rate of year-over-year change (growth) in revenue is now lower than the year-over-year change based upon the originally reported amounts.
- d) The rate of year-over-year change (growth) in profit from operations is now lower than the year-over-year change based upon the originally reported amounts.
- e) Autonomy's cash flow is now lower.
- f) Autonomy's cash flow as a percentage of revenue would have been within 0.9 percent in H1 2010 and within 1.2 percent in H1 2011 compared to amounts based upon the originally reported amounts.

With Normalization Adjustment

2.1.22 As illustrated in Attachment C.2, the overall result of adjusting for these VAR Transactions, from a financial statement analysis for valuation purposes perspective after incorporating my aforesaid normalization adjustment, shows the following.

- a) Profit from operations is now lower than originally reported for both H1 2010 and H1 2011.
- b) The profit from operations margin, as a percent of revenue, is now lower for both H1 2010 and H1 2011.
- c) The rate of year-over-year change (growth) in revenue is now lower than the year-over-year change based upon the originally reported amounts.

- d) The rate of year-over-year change (growth) in profit from operations is now lower than the year-over-year change based upon the originally reported amounts.
- e) Autonomy's cash flow is now lower.
- f) Autonomy's cash flow as a percentage of revenue would have within 0.9 percent in H1 2010 and within 0.1 percent in H1 2011 compared to amounts based upon the originally reported amounts.

Multi-Period Hosting Transactions

2.1.23 For the Multi-Period Hosting Transactions, I have assumed, hypothetically, the accuracy of the information in the Brice Reports which reclassified up-front license revenue to revenue recognized ratably, on a straight-line basis over the contract durations for the various transactions.³² In this regard, I reviewed the summaries provided in Appendix F of the Brice Reports for the relevant Multi-Period Hosting Transactions. I also prepared:

- a) Attachment D which is an illustration that compares hypothetical Company A and Company B but uses the actual contract amounts and actual contract durations of a sample of three selected Multi-Period Hosting Transactions listed in Table 2.10 and Appendix F of the Brice Reports. These three selected multi-year hosting transactions were executed before June 30, 2011. In Attachment D, Company A represents revenues as reported by Autonomy and Company B represents revenues as restated by the Brice Reports.

2.1.24 Attachment D indicates that:

- a) With regards to revenue, although revenue is initially lower during the early years for Company B:
 - i) Total revenue is the same for Company A and Company B over the contract duration.
 - ii) The average revenue per year is the same for both Company A and Company B.
 - iii) Company B has more years of revenue than Company A.
 - iv) Company B has revenue in every year of the contract duration.

³² Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024, Table 2.10 transactions.

- v) Company A has no revenue (zero revenue) in more than one year.
- b) With regards to cash flow, the cash inflow is the same for both Company A and Company B.
- c) With regards to profit contribution, although the profit contribution amount is initially lower during the early years for Company B:
 - i) Total profit contribution is the same for both Company A and Company B over the contract duration.
 - ii) The average profit contribution per year is the same for both Company A and Company B.
 - iii) Company B has more years with profit contribution than Company A.
 - iv) Company B has profit contribution in every year of the contract duration.
 - v) Company A has zero profit contribution in more than one year.
- d) With regards to the year-over-year percentage change in revenue during years 1 through 3 (2009 through 2011):
 - i) The year-over-year percentage change in revenue (growth) is greater in the first years for Company B than Company A.
 - ii) The year-over-year percentage change in revenue (growth), on average, is greater for Company B than Company A.
- e) With regards to the year-over-year percentage change in cash during year 1 through 3 (2009 through 2011):
 - i) The year-over-year percentage change in cash (growth) is the same for Company A and Company B.
 - ii) The year-over-year percentage change in cash (growth), on average, is the same for Company A and Company B.
- f) With regards to the year-over-year percentage change in profit contribution during year 1 through 3 (2009 through 2011):

- i) The year-over-year percentage change in profit contribution (growth) is greater in the first years for Company B than Company A.
- ii) The year-over-year percentage change in profit contribution (growth), on average, is greater for Company B than Company A.

2.1.25 The patterns of revenue and profit contribution with hypothetical Company A and Company B are different, but the patterns of cash inflow are the same. In fact, the patterns of revenue and profit contribution for hypothetical Company A vary more than hypothetical Company B and even drop to zero during the contract durations. The patterns of revenue and profit contribution for hypothetical Company B reflect a layering effect which accumulates and smooths the patterns; and depending on the mix (e.g., amounts, timing, and number of contracts) can reflect greater growth or less variability for hypothetical Company B as compared to hypothetical Company A. Consequently, the patterns of revenue and profit contributions with hypothetical Company B are comparatively more predictable than hypothetical Company A.

2.1.26 In addition, I compared the impact on revenues and year-over-year percentage change or growth using the actual amounts of all of the transactions presented in Table 2.10 of the Brice Reports. This analysis is illustrated in a graph, showing adjusted revenue on a quarterly basis, and table as Attachment E. This corroborates my above observations regarding revenue patterns for hypothetical Company B as compared to hypothetical Company A.

- a) It also shows that for H1 2011, as compared to H1 2010, the revenue growth percentage, with the asserted revenue adjustments, would be greater than it would be with the reported revenues.³³ It should be noted that the revenue depicted in Attachment E is based solely on the transactions in the Brice Reports. Thus, to the extent the graph could be read to show declining revenue beginning in 2013, that is because Multi-Period Hosting Transactions entered into after the Second Quarter of 2011 were not considered in Table 2.10 of the Brice Reports.
- b) As illustrated in Attachment F.1, after the asserted adjustments:
 - i) Profit from operations is now lower than originally reported for both H1 2010 and H1 2011.

³³ I relied on Appendix F of the Brice Reports in making revenue adjustments for the multi-period hosting transactions. I have assumed the amounts and information contained in Appendix F of the Brice Reports are accurate. I did not independently verify the amounts and information contained in Appendix F of the Brice Reports. For purposes of its analysis, I was asked to assume the contract revenue would be recognized ratably over the duration of the contract. I assumed Autonomy generally received all the cash up-front and I noted and addressed the exceptions identified in the Brice Reports. See Attachment F.1.

- ii) The profit from operations margin, as a percent of revenue, is now lower for both H1 2010 and H1 2011 than based upon the originally reported amounts.
- iii) The rate of year-over-year change (growth) in revenue is now higher than the year-over-year change based upon the originally reported amounts.
- iv) The rate of year-over-year change (growth) in profit from operations is higher than the year-over-year change based upon the originally reported amounts.
- v) Autonomy's cash flow is now higher in both H1 2010 and H1 2011.
- vi) Autonomy's cash flow as a percent of revenue would likely have been higher than based upon the originally reported amounts.

Cash Flow

- 2.1.27 As noted above, I also considered whether the asserted revenue and corresponding cost and expense adjustments listed above likely did or did not have a significant impact on cash flow during the Subject Period. Cash flow is the most important driver in a valuation analysis.
- 2.1.28 Valuation acknowledges that it is common for companies to experience variations in financial performance from period to period. Furthermore, business valuation typically assumes a long term perspective; and a long-term Fair Market Value, Investment Value, Intrinsic or Fundamental Value, investor, as applicable. The reported Cash Flow from Operations for Autonomy was essentially flat between H1 2010 (\$190.8 million) and H1 2011 (\$192.50 million), but the reported Cash Flow from Operations varied as a percent of revenue and declined by 5.5 percentage points between H1 2010 (45.9%) and H1 2011 (40.4%). These reported amounts are before the asserted adjustments.
- 2.1.29 Generally, the asserted adjustments I have analyzed are in the nature of a reclassification to a different line in the financial statement issue, a timing issue, or a corresponding counter-transaction issue. From a financial statement analysis perspective in the context of valuation, the asserted revenue accounting adjustments are incomplete and do not include related costs, expenses, corresponding counter-transaction items, or reassignments. Furthermore, I also note that there is no assertion that the cash received or earned by Autonomy related to these transactions was not received.
- a) **Hardware Transactions.** All of the revenues, related costs and expenses were already recognized. In total, these transactions resulted in a loss during the Subject Period. Therefore,

removing the revenues, related costs and expenses for the Hardware Transactions would likely increase cash flow and cash flow as a percent of revenue during the Subject Period. In addition, as I discussed above, the January 3, 2024 Brice Report is corroborative of this. My calculations are summarized in Attachment A.1.

- b) **Alleged Linked Transactions.** From a financial statement analysis perspective, eliminating the revenue from these transactions would also require reducing corresponding costs and expenses. Therefore, removing the revenues and accounting for related costs and expenses for the Alleged Linked Transactions would likely increase cash flow and cash flow as a percent of revenue during the Subject Period. My calculations are summarized in Attachment B.1.
- c) **VAR Transactions.** The assessment regarding whether there is cash flow impact for VAR Transactions is somewhat similar to the other Allegedly Linked Transactions. In total, removing the asserted revenue adjustments and accounting for related costs and expenses for the VAR Transactions would reduce cash flow and cash flow as a percent of revenue during the Subject Period. My calculations are summarized in Attachment C.1.
 - i) Incorporating my normalization adjustment to the asserted adjustment to Direct VAR Transactions discussed above, would indicate that the adjustments reduce cash flow; and would reduce cash flow as a percent of revenue in H1 2010 but cash flow as a percent of revenue in H1 2011 would be similar. My calculations are summarized in Attachment C.2.
- d) **Multi-Period Hosting Transactions.** This is a timing issue regarding that asserted revenue should be spread over the contract duration as opposed to up-front. Moving a portion of the revenue from a current period to recognize ratably over later periods requires increasing deferred revenue liability in the current period related to the amounts of cash received in advance. I have assumed the applicable gross profit margin of multi-period hosting revenue is the same as that of the company and that the incremental cash outlays over the lifetimes of the contracts are nominal. Increasing deferred revenue as an offset to decreasing earned revenue results, in this case, in a net positive impact to cash flows and cash flow as a percent of revenue during the Subject Period. My calculations are summarized in Attachment F.1.
- e) **Total (Aggregated).** As noted above, the reported total Cash Flow from Operations for Autonomy was essentially flat between H1 2010 (\$190.8 million) and H1 2011 (\$192.50 million), and the reported Cash Flow from Operations as a percent of revenue declined by 5.5 percentage points between H1 2010 (45.9%) and H1 2011 (40.4%). These amounts are before the asserted adjustments.

- i) In comparison, after applying all of the asserted adjustments (except not my VAR Direct Transactions normalization adjustment) described herein, total cash flow (aggregate) would be impacted as summarized in Table 3.1 below.
- ii) An appropriate analysis of cash flow would also consider both the impact without the VAR Transactions and with my normalization adjustment to the asserted adjustment to Direct VAR Transactions. Those are summarized below in subparagraphs f) and g).

Table 3.1					
	Change to Cash Flows After Adjustments (in \$mm)			Cash Flow as % of Revenue After Adjustments	
	H1 2010	H1 2011	Average	H1 2010	H1 2011
A.1 Hardware	\$ 3.73	\$ 2.95	\$ 3.34	<i>Higher</i>	<i>Higher</i>
B.1 Linked	5.05	1.94	3.50	<i>Higher</i>	<i>Higher</i>
C.1 VAR - Direct and Linked	(9.23)	(23.69)	(16.46)	<i>Lower</i>	<i>Lower</i>
F.1 Multi-Period Hosting	10.48	0.49	5.48	<i>Higher</i>	<i>Higher</i>
Total	\$ 10.02	\$ (18.31)	\$ (4.15)	<i>Higher</i>	<i>Higher</i>
<i>Change in Cash Flow as % of Reported Revenue</i>	2.4%	-3.8%	-0.7%		
As Reported (in \$mm)					
	H1 2010	H1 2011	Average	H1 2011 Compared to H1 2010	
Revenue	\$ 415.31	\$ 476.04	\$ 445.68	<i>Flat Declined</i>	
Cash Flow from Operations	\$ 190.80	\$ 192.50	\$ 191.65		
Cash Flow as % of Revenue	45.9%	40.4%	43.2%		
<i>As Reported Decline</i>		-5.5%			
<i>Change in Cash Flow as % of Reported Cash Flow</i>	5.3%	-9.5%	-2.1%		

- f) **Total with only Hardware, Linked Transactions and Multi-Period Hosting (without VAR Transactions).**
- i) After applying all of the asserted adjustments described herein, total cash flow would be impacted as summarized in Table 3.2 below.

Table 3.2					
Change to Cash Flows After Adjustments (in \$mm)				Cash Flow as % of Revenue After Adjustments	
	H1 2010	H1 2011	Average	H1 2010	H1 2011
A.1 Hardware	\$ 3.73	\$ 2.95	\$ 3.34	Higher	Higher
B.1 Linked	5.05	1.94	3.50	Higher	Higher
F.1 Multi-Period Hosting	10.48	0.49	5.48	Higher	Higher
Total	\$ 19.25	\$ 5.38	\$ 12.31	Higher	Higher
Change in Cash Flow as % of Reported Revenue				4.6%	1.1%
				2.9%	
As Reported (in \$mm)					
	H1 2010	H1 2011	Average	H1 2011 Compared to H1 2010	
Revenue	\$ 415.31	\$ 476.04	\$ 445.68	Flat Declined	
Cash Flow from Operations	\$ 190.80	\$ 192.50	\$ 191.65		
Cash Flow as % of Revenue	45.9%	40.4%	43.2%		
As Reported Decline		-5.5%			
Change in Cash Flow as % of Reported Cash Flow				10.1%	2.8%
				6.4%	

g) **Total (Aggregated) with Direct VAR Transactions Normalization Adjustment (Hardware, Linked Transactions, Multi-Period Hosting and VAR Transactions).**

i) After applying all of the asserted adjustments described herein, total cash flow (aggregate) would be impacted as summarized in Table 3.3 below.

Table 3.3					
Change to Cash Flows After Adjustments (in \$mm)				Cash Flow as % of Revenue After Adjustments	
	H1 2010	H1 2011	Average	H1 2010	H1 2011
A.1 Hardware	\$ 3.73	\$ 2.95	\$ 3.34	Higher	Higher
B.1 Linked	5.05	1.94	3.50	Higher	Higher
C.2 VAR - Direct and Linked	(9.23)	(11.48)	(10.36)	Lower	Similar
F.1 Multi-Period Hosting	10.48	0.49	5.48	Higher	Higher
Total	\$ 10.02	\$ (6.11)	\$ 1.96	Higher	Higher
Change in Cash Flow as % of Reported Revenue				2.4%	-1.3%
				0.6%	
As Reported (in \$mm)					
	H1 2010	H1 2011	Average	H1 2011 Compared to H1 2010	
Revenue	\$ 415.31	\$ 476.04	\$ 445.68	Flat Declined	
Cash Flow from Operations	\$ 190.80	\$ 192.50	\$ 191.65		
Cash Flow as % of Revenue	45.9%	40.4%	43.2%		
As Reported Decline		-5.5%			
Change in Cash Flow as % of Reported Cash Flow				5.3%	-3.2%
				1.0%	

- h) In the snapshot of the Subject Period, the asserted revenue adjustments in total would result in a limited impact on the cash flow.
- i) The reported financial information (before adjustments) indicated that the cash flow from operations of Autonomy was relatively flat between H1 2010 and H1 2011, and the data indicated that the cash flow from operations had comparatively already declined by 5.5 percentage points (indicating a decline in efficiency of the cash flow generating operation).
- ii) In context, the plusses and minuses from the asserted adjustments roughly offset each other.
- iii) As shown in Tables 3.1 and 3.3, in total, after adjustments:
- Cash flow would be lower, on average between H1 2010 and H1 2011 by approximately \$4 million.
 - Incorporating my normalization adjustment which I deem appropriate to the asserted adjustments, cash flow would be higher, on average between H1 2010 and H1 2011, by approximately \$2 million.
 - In both cases, cash flow as a percent of adjusted revenue in both H1 2010 and H1 2011 would be higher, indicating a more efficient cash flow generating operation.

2.2 VALUATION METHODS

- 2.2.1 My comments and opinions are summarized below regarding valuation methods for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company. The DCF Method is generally the most-preferred method, earnings-based methods second, and revenues-based methods third.
- 2.2.2 Valuation of companies and stocks are generally an estimate based on variables perceived to be related by an analyst to future investment returns or comparisons with similar investments. Selection of the most appropriate valuation methodology involves informed judgment. Analysts often consider and weigh multiple valuation models or factors in the process. For well-established operating companies which generate significant cash flows from the sales of services or goods, the most common methodologies are the Income Approach – Discounted Cash Flow (“DCF”) Method, the Market-Approach – Guideline Public Company (“GPC”) Method, and the Market-Approach – Merger & Acquisition (“M&A”) Method.

- 2.2.3 Valuation is forward looking. A well-established, mature operating company has value to a potential investor because the investor believes it will generate cash flows in the future. Value depends on the magnitude, timing, and risk of the cash flows expected to be generated in the future. Furthermore, many companies use free cash flow to manage the company and measure performance. Free cash flow is the cash flow which a company generates after collection of receivables, payment of costs and expenses, and after making working capital and other capital investments.
- 2.2.4 The DCF Method is a fundamental valuation technique based upon these forward-looking valuation principles. The DCF Method calculates the present value of future expected free cash flows using a discount rate. Expected free cash flow, or expected earnings as a key component of and translated into expected free cash flow, is generally the most important variable. Free cash flow is based on expected cash flow from operations plus it factors in the necessary reinvestment in fixed assets and working capital. In many cases, the DCF Method best fits the facts and is most tailored to the economics of the subject company because the DCF Method directly incorporates the specific operating characteristics and projections of future financial performance and variations of the company. The DCF Method is custom-tailored to the economics of the company.
- 2.2.5 The advantage of using free cash flow is that it can be used directly in a DCF framework to value the company or equity. Other earnings-related measures, such as net income, EBIT, or EBITDA,³⁴ lack this ability because they either omit cash flows or double count in some way. For example, EBIT and EBITDA are before-income tax statistics, but cash flows available to the company or equity must be after tax. In addition, earnings-related measures do not account for differences in capital structures among companies, reinvestments in capital assets, and reinvestments in working capital to maintain or optimize the value of the company. Revenue-related measures have even greater issues with omitting cash flows or double-counting in some way, plus issues with assuming sameness of service, product and operating cost and margin structures.
- 2.2.6 Ultimately, selection of valuation method is often influenced by the purpose of the valuation and the perspective of an analyst. A potential buyer evaluating a controlling equity position in a target company often values the company using the DCF Method or the forecasted free cash flows, because such free cash flows can be redirected by such an acquirer without affecting the value of the acquisition.
- 2.2.7 Fundamental valuation analysis assumes that an investment has an intrinsic valuation which can be quantified through a rigorous evaluation of relevant variables. Intrinsic value is also sometimes

³⁴ "EBIT" is Earnings Before Interest and Taxes. "EBITDA" is Earnings Before Interest, Taxes, Depreciation, and Amortization.

called fundamental value: the value on the basis of available facts to be the fundamental value that will become the market value when other investors reach the same conclusion.

- 2.2.8 The Market Approach is a general way of determining a value indication by using one or more methods that compare the subject to similar businesses. The Market Approach methods are relative valuation techniques based upon relative comparison with guideline public companies or guideline transactions of companies. Under the Market-Approach – Guideline Public Company (“GPC”) Method, market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market. Under the Market-Approach – Merger & Acquisition (“M&A”) Method, pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. The Market Approach methods are ways to estimate and apply a Multiple of Earnings or Multiple of Revenue as a valuation ratio to estimate relative value.
- 2.2.9 The two Market Approach methods may provide some additional insight but by their nature are not as tailored to the specific economics of the subject company. Further, issues arise regarding whether the selected benchmark companies are sufficiently comparable and whether the share prices of the benchmark companies are free of aberrations. In addition, issues arise regarding the availability of financial information, and the motivations and knowledge of the parties, with selected transactions. The Market Approach methods are not custom-tailored to the future economics of the subject company like the DCF Method. Therefore, the Market Approaches are relative valuation techniques, and not fundamental valuation techniques.
- 2.2.10 One of the advantages of using a DCF framework for valuation is that the DCF framework is especially helpful when market data are volatile.
- 2.2.11 Another one of the additional advantages of using a DCF framework for valuation is that it can be custom tailored to include the estimated additional free cash flows and potential value of synergies anticipated by a prospective buyer of the company in combination with the economics and value of the target company. For example, a DCF framework is often considered used by special interest purchasers, who are acquirers that believe they can enjoy post-acquisition economies of scale, synergies, or strategic advantages by combining a target business interest with their own.
- 2.2.12 Consequently, regarding valuation methods for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, for a well-established, mature operating company: the DCF Method is generally the most-preferred method, Earnings-based methods second, and Revenues-based methods third.

3. SUMMARY CONCLUSION

3.1.1 The reported Cash Flow from Operations for Autonomy was essentially flat between H1 2010 (\$190.8 million) and H1 2011 (\$192.50 million), but the reported Cash Flow from Operations varied as a percent of revenue and declined by 5.5 percentage points between H1 2010 (45.9%) and H1 2011 (40.4%). These reported amounts are before the asserted adjustments.

3.1.2 When comparing Autonomy's financial results from H1 2011 to H1 2010, and applying the asserted adjustments described herein:

Hardware Transactions³⁵

3.1.3 If the asserted Hardware sales are removed along with corresponding costs and expenses:

- a) Autonomy would have had higher profits and higher profit margins.
- b) Autonomy's revenue growth percentage would have been higher.
- c) Autonomy's cash flow would likely have been higher.
- d) Autonomy's cash flow as a percentage of revenue would have been higher than based upon the originally reported amounts.³⁶

Alleged Linked Transactions³⁷

3.1.4 If the revenues for linked transactions are removed along with corresponding costs and expenses:

- a) Autonomy would have had slightly lower profits and profit margins.
- b) Autonomy's revenue growth would have been higher.
- c) Autonomy's cash flow would likely have been higher.
- d) Autonomy's cash flow as a percentage of revenue would have been higher than based upon the originally reported amounts.

³⁵ Attachment A.1.

³⁶ Also, higher cash flow as a percentage of revenue indicates greater efficiency as a cash flow generating operation and is a factor that contributes to higher valuation.

³⁷ Attachment B.1.

VAR TransactionsWithout Normalization of Direct VAR Transactions³⁸

- 3.1.5 If the revenues for VAR transactions are adjusted (without incorporating my Direct VAR Transactions normalization adjustment) or removed along with the corresponding costs and expenses:
- a) Autonomy would have had lower profits and profit margins.
 - b) Autonomy's revenue growth would have been lower.
 - c) Autonomy's cash flow would likely have been reduced.
 - d) Autonomy's cash flow as a percentage of revenue would have been within 0.9 percent in H1 2010 and within 1.2 percent in H1 2011 compared to amounts based upon the originally reported amounts.

With Normalization of Direct VAR Transactions³⁹

- 3.1.6 If the revenues for VAR transactions are adjusted, and incorporating my Direct VAR Transactions normalization adjustment, or removed along with the corresponding costs and expenses:
- a) Autonomy would have had lower profits and profit margins.
 - b) Autonomy's revenue growth would have been lower.
 - c) Autonomy's cash flow would likely have been reduced.
 - d) Autonomy's cash flow as a percentage of revenue would have within 0.9 percent in H1 2010 and within 0.1 percent in H1 2011 compared to amounts based upon the originally reported amounts.

³⁸ Attachment C.1.

³⁹ Attachment C.2.

Multi-Period Hosting Transactions^{40,41}

- 3.1.7 If the Multi-Period Hosting Transactions in which license revenue was originally recognized in full up front in the quarter in which the deal was executed were instead accounted for by recognizing the revenue ratably on a straight-line basis over the duration of the contract, the result would be:
- a) The revenue would have been spread out over a longer period.
 - b) The total amount of revenue and profit would have been the same.
 - c) The cash would have been received in the same time periods.
 - d) Although this would have resulted in initially less revenue, the results after adjustments would have indicated growth, plus future revenue and profit streams that are longer and steadier, for which the clients had already paid in full.
 - e) These adjustments result in a net positive impact on cash flows during the Subject Period.
 - f) Autonomy's cash flow as a percentage of revenue would have been higher than based upon the originally reported amounts.

Financial Statement Analysis and Valuation

- 3.1.8 The Second Quarter of 2011 is the last reported financial quarter before the acquisition.⁴² Comparison of H1 2011 to H1 2010 is the most recent same period of comparison available from public information when valuing Autonomy in August 2011.
- 3.1.9 In financial statement analysis for valuation purposes, the most recent periods are often given the most weight – all other things being equal.
- 3.1.10 Valuation is forward-looking. All other things equal, projections of higher expected profits, higher expected profit margins, higher expected growth, and less expected variability are factors contributing to higher valuations. Higher expected future cash flows is also a factor contributing to higher valuations.

⁴⁰ Attachment E.

⁴¹ Attachment F.1.

⁴² HP's acquisition of Autonomy was announced on August 18, 2011.

<https://www.businesswire.com/news/home/20110818006398/en/HP-to-Acquire-Leading-Enterprise-Information-Management-Software-Company-Autonomy-Corporation-plc>

- 3.1.11 For a well-established, mature operating company: the DCF Method is generally the most-preferred method for valuing companies for a potential acquisition in order of preference from a valuation principles perspective, Earnings-based methods second, and Revenues-based methods third.
- 3.1.12 Generally, a comprehensive valuation of a company considers all facts and factors relevant to valuation and requires application of informed judgment by the analyst. Ultimately, a valuation is based upon a selected or developed prophesy, or range of prophesies, as to the long-term future of a company and there is no specific formula for a valuation.
- a) As I discussed above, the DCF valuation method based upon a forecast of Free Cash Flows is the most preferred method for valuation of a mature operating company. A company has value to an investor because the investor believes it will generate cash flows in the future: value depends on the magnitude, timing and risk of the cash flows which is expected to be generated. Historical returns are not the focus of valuation, but analysis of historical information may provide insights into certain valuation factors.
 - b) A valuation analyst will use informed judgment in assessing and weighing the facts and factors. In this situation, the short-term snapshot of historical financial information items and assertions regarding Autonomy which I have analyzed in this Report for the Subject Period are of the type that would be relevant considerations among the total mix of information.
 - c) In addition, the types of related financial statement analysis adjustments which I have made also would be relevant considerations in developing a valuation.
 - i) Furthermore, from an economic perspective, it is my understanding that the Hardware, Alleged Linked and VAR Transactions activities at issue could be discontinued from Autonomy's operations. This would be a relevant consideration.
 - ii) Similarly, the multiple years of revenue and income, and greater predictability of multi-year hosting revenues and profits would also be a relevant consideration. In addition, the growth and layering effect in multi-year hosting revenues as a result of the adjustments would be a relevant consideration.

Without Direct VAR Transactions Normalization Adjustment

- d) I considered the total mix of financial statement analysis adjustments (except, not incorporating my Direct VAR Transactions Normalization Adjustment) I applied in this Report for the Subject Period, and tabulated them in Attachment G.1. This schedule includes all of

the financial statement analysis adjustments to revenues, costs of revenues and expenses, plus it includes related income tax and deferred (unearned) revenue items. It includes the normalization adjustment I made to VAR direct transactions and deem appropriate. Consequently, my schedule captures the main items affecting cash flow, as well as profit from operations. This provides a holistic view of the impact on cash flow from a financial statement analysis for valuation perspective.⁴³

- i) Although total revenue and total profit from operations, after adjustments, are less in each of the Subject Period:
- The cash flow during H1 2010 is higher.
 - The cash flow during H1 2011 is decreased.
 - In total, the amount of cash flow for combined H1 2010 and H1 2011 is decreased.
 - The year-over-year percentage change for revenues (growth), after adjustments is similar to values based upon the originally reported amounts.
 - The year-over-year percentage change for profit from operations (growth), after adjustments is lower than based upon the originally reported amounts.
 - The cash flow as a percentage of revenue is greater for both periods than based upon the originally reported amounts.

Hardware, Alleged Linked Transactions and Multi-Period Hosting (without VAR Transactions)

- e) In comparison, Attachment G.2 shows the aggregated information for Hardware, Alleged Linked Transactions, and Multi-Period Hosting, but not including VAR Transactions.⁴⁴
- i) The cash flow during H1 2010 and H1 2011 and in total is increased.
- ii) The year-over-year percentage change for revenues (growth), after adjustments is greater.

⁴³ Attachment G.1.

⁴⁴ Attachment G.2.

- iii) The year-over-year percentage change for profit from operations (growth), after adjustments is greater.
- iv) The cash flow as a percentage of revenue is greater for both periods than based upon the originally reported amounts.

With Direct VAR Normalization Adjustment

- f) Furthermore, Attachment G.3. shows the aggregated information in Attachment G.1. incorporating the normalization adjustment to VAR direct transactions.⁴⁵ I deem the normalization adjustment an appropriate consideration as better fitting the facts and circumstances, and purpose of my analysis.
- i) Although total revenue and total profit from operations, after adjustments, are less in each Half of the Subject Period:
 - The cash flow during H1 2010 is greater.
 - The cash flow during H1 2011 is decreased.
 - In total, the amount of cash flow for combined H1 2010 and H1 2011 is increased.
 - The year-over-year percentage change for revenues (growth), after adjustments is greater than based upon the originally reported amounts.
 - The year-over-year percentage change for profit from operations (growth), after adjustments is greater than based upon the originally reported amounts.
 - The cash flow as a percentage of revenue is greater for both periods than based upon the originally reported amounts.

Cash Flow

- g) As discussed above, in the snapshot of the Subject Period, the asserted revenue adjustments in total would result in a limited impact on the cash flow.
- i) The reported financial information (before adjustments) indicated that the cash flow from operations of Autonomy was relatively flat between H1 2010 and H1 2011, and the data

⁴⁵ Attachment G.3.

indicated that the cash flow from operations had comparatively already declined by 5.5 percentage points (indicating a decline in efficiency of the cash flow generating operation).

ii) In context, the plusses and minuses from the asserted adjustments roughly offset each other.

iii) As shown in Tables 3.1 and 3.3, in total, after adjustments:

- Cash flow would be lower, on average between H1 2010 and H1 2011 by approximately \$4 million.
- Incorporating my normalization adjustment which I deem appropriate to the asserted adjustments, cash flow would be higher, on average between H1 2010 and H1 2011, by approximately \$2 million.
- In both cases, cash flow as a percent of adjusted revenue in both H1 2010 and H1 2011 would be higher, indicating a more efficient cash flow generating operation.
- These adjustments would have increased cash flows in three of the four categories reviewed, both before and after normalization adjustments: Hardware Transactions, Allegedly Linked Transactions, and Multi-Period Hosting Transactions.

h) Accordingly, these would be relevant considerations in assessing historical cash flow as part of a financial statement analysis in the context of a valuation, provide insights to an analyst who is assessing selection of or developing a forecast of free cash flow for a DCF. All other things equal, higher expected cash flows⁴⁶ contribute to higher valuation when analyzing a company.

3.1.13 Valuation is an imperfect science, there are imprecisions, and often ranges of point estimates of value are developed. In addition, valuation acknowledges that companies often experience variation in financial performance and valuation typically assumes a long-term investor perspective. In my financial statement analysis, I made certain assumptions to facilitate the analysis and captured the major items affecting cash flow. Cash flow to a business and to a valuation are important. The DCF Method calculates the present value of future expected free cash flows using a discount rate. Expected free cash flow, or expected earnings as a key

⁴⁶ Also, higher cash flow as a percentage of revenue indicates greater efficiency as a cash flow generating operation and contributes to higher valuation.

component of and translated into expected free cash flow, is generally the most important variable. In the snapshot of the Subject Period, the asserted revenue adjustments would result in a limited impact on the cash flow. All other things equal, assuming the accuracy of the adjustments in the VBOP, Brice Reports and the Rebaselining Exercise that I have relied upon, it is my opinion that, in isolation, the overall impact of the amounts of the adjustments alone discussed in this Report would not likely materially change the valuation of a well-established, mature operating company like Autonomy, as of the Valuation Date.

4. SIGNATURE OF EXPERT

Respectfully submitted,



John Levitske

March 13, 2024

CURRICULUM VITAE
JOHN LEVITSKE
 PARTNER



QUALIFICATIONS

MBA (*cum laude*), University of Notre Dame, USA
 JD, Duquesne University School of Law (Law Review), USA
 BSBA, Duquesne University, USA
 Accredited Senior Appraiser (ASA) in Business Valuation
 Accredited in Business Valuation (ABV)
 Certified in Financial Forensics (CFF)
 Certified Insolvency and Restructuring Advisor (CIRA)
 Certified Public Accountant (CPA), licensed in Illinois and Pennsylvania
 Chartered Financial Analyst (CFA) Charterholder
 Chartered Global Management Accountant (CGMA)
 Master Certified Forensic Litigation Consultant (MCFLC)

MEMBERSHIPS

American Bar Association

- Co-Chair, Investigations, Enforcement and White-Collar Subcommittee of the Business Law Section's Business & Corporate Litigation Committee
- Former Chair, Dispute Resolution Committee of the Business Law Section
- Former Member at Large, Standing Committee on Audit of the ABA national entity

National Board Member and former National President, Forensic Expert Witness Association

Founding Member, Chicago Bar Association, Business Divorce and Complex Ownership Disputes Committee

PERSONAL DEVELOPMENT

Who's Who Legal (WWL): Consulting Experts, Financial Advisory and Valuation – Quantum of Damages, 2019 – 2023 (*"Global Leader" in 2023*)

Corporate Valuation, University of Pennsylvania, The Wharton School, Executive Education, 2022

Frontiers of Finance, New York University, Stern School of Business, Executive Education, 2022

Spreadsheet Modeling, Cornell University, College of Engineering, Executive Education, 2022

Financial Modeling, University of Georgia, Terry College of Business, Executive Education, 2022

Leaders League: USA Best Arbitration Support Firms, Leading Firms Tier, Key Figure, 2019

Forensic Expert Witness Association's National Meritorious Service Award, 2019

The Fellows of the American Bar Foundation, 2018 - *present*

Who's Who Legal: International Arbitration, Commercial Experts, 2011

Dale Carnegie Leadership Training for Managers, 2003

KPMG FLS Leadership Forum and Advanced Leadership Forum, 2001, 2003

The Dale Carnegie Course, 1995

PROFILE

John Levitske is a business appraiser, financial analyst, and forensic accountant with more than 35 years of experience. John serves as a senior advisor to companies, legal counsel, executives, and investors regarding business valuation, financial, accounting, and damages issues in complex commercial matters such as business, shareholder, bankruptcy, corporate governance, alter-ego, private equity, and mergers and acquisitions (M&A) transaction disputes. He provides expert advice when disagreements or uncertainties arise regarding quantifications of value, price, accounting (GAAP and IFRS), or economic damages of a business or stakeholder interest. John works across all industries and is experienced with both private and public companies, in domestic and international disputes.

He has worked with Big Four public accounting, global valuation and corporate financial advisory, and international business advisory and expert consulting firms for over 25 years. He also founded a business valuation dispute analysis practice, co-founded an acquisition agreement vetting practice, and was one of the leaders of a post-acquisition dispute practice. John's expert witness work has included jury and bench trials, mediations, and arbitrations (e.g., ICC, LCIA, SCC, AAA, JAMS, FINRA, and ad hoc) in the United States and internationally. He has testified as an expert witness in the United States, Europe, and the Caribbean. John has also served as a neutral arbitrator and as an independent advisor to the mediator.

John currently teaches as an adjunct faculty member at Benedictine University's College of Business and has served as a Chartered Financial Analyst (CFA) Examination grader. He has also taught accounting, finance, and auditing at the University of Pittsburgh and Point Park University; and served as a national exam question writer for the Uniform Certified Public Accountant (CPA) Exam and the American Institute of Certified Public Accountants' Accredited in Business Valuation Exam.

PRESENTATIONS & SPEAKING ENGAGEMENTS

John has lectured on valuation, financial analysis, forensic accounting, and M&A dispute topics to various professional groups, including the American Bar Association, American Society of Appraisers, Association of Insolvency and Reorganization Advisors, Chicago Bar Association, and DailyDAC-Financial Poise.

PUBLICATIONS & PAPERS – PREVIOUS 10 YEARS

"Business Divorce", In *Recent Developments in Business and Corporate Litigation*, American Bar Association, Business Law Section, 2023, 2022, 2021 and 2020 editions

"Has the Pandemic Increased the Need for Expert Witnesses in M&A Disputes?", American Bar Association, Litigation Section, Expert Witnesses Committee, December 2021

"The Independent Accountant or Business Valuator as Advisor to the Mediator", American Bar Association, Litigation Section, Expert Witnesses Committee, December 2021

"Measuring Valuation Damages for Breach of Fiduciary Duty Claims in Shareholder Disputes During the COVID-19 Pandemic", *Sound Advice*, July 2021

"Contemporary Considerations for Drafting Buy-Sell and Valuation Provisions in Limited Liability Company Operating Agreements", *Business Law Today*, May 2021

"Innovative Dispute Resolution: The Independent Business Valuator as Advisor to the Mediator in Business Disputes", *Ankura.com*, January 2021

"Internal Corporate Investigations", In *Guide for In-House Counsel*, American Bar Association, Business Law Section, 2020

"Internal Corporate Investigations", *Business Law Today*, Parts 1 and 2, December 2019 & April 2020

"Preparing In-House Counsel and External Lawyer Advocates for Effective, Good-Faith Mediation of Mergers & Acquisitions", *Business Law Today*, February 2018

"Reflections on the 1-2-3's of Mediation of a Merger & Acquisition Dispute", *Business Law Today*, July 2017

“Well-Established Principles Key to Expert Witness Testimony”, *Paradigm*, July 2017

“Current Dell Appraisal Rights Litigation Case on Appeal in Delaware Chancery Court May Provide Valuation Insights”, *Paradigm*, June 2017

“Why It Pays to Invest in Expert Analysis”, *Paradigm*, March 2017

“Managing Post-Merger & Acquisition Purchase Price Disputes”, In *ADR Handbook for the Business Lawyer*, American Bar Association, Business Law Section, 2016

EMPLOYMENT HISTORY

- HKA Global, LLC, Partner, 2023 - *present*
- Benedictine University, Adjunct Faculty Lecturer, 2022 - *present*
- Ankura Consulting Group, Senior Managing Director, 2017 - 2022
- Huron Consulting Group, Senior Director, 2016 - 2017
- Houlihan Lokey, Managing Director, 2014 - 2016
- Duff & Phelps, Managing Director, 2005 - 2014
- Standard & Poor's, a business unit of McGraw-Hill Companies, Managing Director, 2004 - 2005
- FTI Consulting, Director, 2003 - 2004
- KPMG, Director, 2000 - 2003
- Deloitte, Director, 1995 - 2000
- Mark Wolk & Associates, CPA's, Director, 1985 - 1995
- Group “L” Investors & Developers, Partner, 1980 - 1985
- Westinghouse Electric Corporation, Associate Accounting Analyst, 1979 – 1980

TESTIMONY – PREVIOUS 4 YEARS

Year	Forum	Action or Proceeding	Description
2024	Judicial Arbitration & Mediation Services (JAMS), Chicago	Karounos and Big Chicago, Inc. v. King	Expert Testimony at Arbitration Hearing
2024	JAMS, Chicago	Karounos and Big Chicago, Inc. v. King	Expert Testimony at Deposition
2022	Eastern Caribbean Supreme Court, High Court of Justice, Territory of the Virgin Islands, Law Division	Ikana Holdings S. de R.L. v. Putney Capital Management Ltd. et al.	Expert Testimony at Trial
2021	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Trial
2020	Circuit Court of Cook County, Illinois, Law Division	George Whetsell and Whetsell Family Trust v. Prism Healthcare Partners LTD, et al.	Expert Testimony at Deposition
2020	Superior Court of New Jersey, Morris County, Law Division	Ashland LLC, International Specialty Products, Inc., and ISP Environmental Services, Inc. v. G-I Holdings Inc., Building Materials Corporation of America d/b/a GAF Materials Corporation and GAF Corporation, et al.	Expert Testimony at Deposition
2020	U.S. Bankruptcy Court, Northern District of Texas, Chapter 11	In re: TriVascular Sales LLC et al., Debtors	Expert Testimony at Deposition

CONTACT INFORMATION

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List of Documents Relied Upon

Documents

Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 and Appendices.

Summary of independent expert accounting opinions of Steven Brice, FCA, dated January 3, 2024 and Appendices.

United States' Voluntary Bill of Particulars, dated October 8, 2023, and related tables

K26_263.1 ("Rebaselining Exercise")

Autonomy Corporation PLC Interim Results for the Six Months Ended June 30, 2010

Autonomy Corporation PLC Interim Results for the Six Months Ended June 30, 2011

Autonomy Corporation PLC Annual Report and Accounts for the year ended 31 December 2010

Capital IQ Historical GBPUSD Exchange Rate - March 2011

Case 3:18-cr-00211-CBB Document 423-1 Filed 04/15/24 Page 85 of 152

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Hardware Transactions
H1 2011 Compared to H1 2010

Attachment A.1



Alleged Hardware Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenue	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Hardware Adjustment	(11.84)	(31.06)	(42.90) ⁽³⁾		(20.09)	(20.85)	(40.94) ⁽³⁾			
Total Revenue Less Hardware Transaction Adjustments	\$ 182.34	\$ 190.07	\$ 372.41	[B]	\$ 199.70	\$ 235.40	\$ 435.10	[B]	\$ 62.69	16.8%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30 ⁽¹⁾		\$ 39.23	\$ 48.49	\$ 87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[C]	\$ 135.17	\$ 173.30	\$ 308.47	[C]		
Costs and Expenses Related to Alleged Hardware Revenues	(13.21)	(34.66)	(47.87) ⁽⁴⁾		(21.53)	(23.39)	(44.92) ⁽⁴⁾			
Total Cost of Revenues and Operating Expenses Less Alleged Hardware Adjustments	\$ 107.84	\$ 109.46	\$ 217.30	[D]	\$ 113.64	\$ 149.91	\$ 263.54	[D]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[E = A - C]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[E = A - C]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 74.50	\$ 80.61	\$ 155.11	[F = B - D]	\$ 86.06	\$ 85.49	\$ 171.56	[F = B - D]	\$ 16.45	10.6%
% of Corresponding Revenue			41.7%				39.4%			
Change In Profit From Operations			\$ 4.97	[G = F - E]			\$ 3.98	[G = F - E]		
Income Tax ⁽¹⁾⁽²⁾			1.24 ^(b)	[H = G * 25%]			1.04 ^(c)	[H = G * 26%]		
Impact to Cash Flow Net of Income Tax			\$ 3.73	[I = G - H]			\$ 2.95	[I = G - H]		
Cash Flow Items										
Impact Net of Income Tax			\$ 3.73	[J = I]			\$ 2.95	[J = I]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 3.73	[K = J]			\$ 2.95	[K = J]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[L]			\$ 192.50 ⁽²⁾	[L]		
Change in Cash Flow as % of Reported Cash Flow			2.0%	[M = K / L]			1.5%	[M = K / L]		
Cash Flow as % of Reported Revenue			45.9%	[N = L / A]			40.4%	[N = L / A]		
Adjusted Cash Flow as % of Adjusted Revenue			52.2%	[O = (L + K) / B]			44.9%	[O = (L + K) / B]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, pages 4 and 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 5 and 10-11.
(3) United States' Voluntary Bill of Particulars, dated October 8, 2023, Table "Summary of Revenue Adjustments (Detailed) - 2009 To October 2011".
(4) K26_263.1.xlsx (Rebaselining Exercise).

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%".
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%".

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Alleged Linked Transactions
H1 2011 Compared to H1 2010

Attachment B.1



Alleged Linked Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenue	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Transaction #049 - FileTek, Inc	(8.50)	-	(8.50) ⁽³⁾		-	-	-			
Transaction #084 - Tottenham Hotspur Plc	-	-	-		(6.45)	-	(6.45) ⁽³⁾			
Subtotal Linked Transaction Adjustments	\$ (8.50)	\$ -	\$ (8.50)		\$ (6.45)	\$ -	\$ (6.45)			
Total Revenue Less Alleged Linked Transaction Adjustments	\$ 185.68	\$ 221.13	\$ 406.81	[B]	\$ 213.34	\$ 256.25	\$ 469.59	[B]	\$ 62.78	15.4%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30 ⁽¹⁾		\$ 39.23	\$ 48.49	\$ 87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[C]	\$ 135.17	\$ 173.30	\$ 308.47	[C]		
Costs and Expenses Related to Transaction #049 - FileTek, Inc	\$ -	\$ (0.38)	\$ (0.38) ^{(3)(d)}	[D]	\$ (0.58)	\$ (0.58)	\$ (1.15) ^{(3)(d)}	[D]		
Costs and Expenses Related to Transaction #084 - Tottenham Hotspur Plc	-	-	-	[E]	-	-	-	[E]		
Subtotal Linked Transaction Adjustments	\$ -	\$ (0.38)	\$ (0.38)	[F]	\$ (0.58)	\$ (0.58)	\$ (1.15)	[F]		
Total Cost of Revenues and Operating Expenses Less Alleged Linked Transaction Adjustments	\$ 121.05	\$ 143.73	\$ 264.79	[G]	\$ 134.59	\$ 172.72	\$ 307.32	[G]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[H = A - C]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[H = A - C]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 64.63	\$ 77.40	\$ 142.02	[I = B - G]	\$ 78.75	\$ 83.53	\$ 162.27	[I = B - G]	\$ 20.25	14.3%
% of Corresponding Revenue			34.9%				34.6%			
Change In Profit From Operations			\$ (8.12)	[J = I - H]			\$ (5.30)	[J = I - H]		
Income Tax ⁽¹⁾⁽²⁾			(2.03) ^(b)	[K = J * 25%]			(1.38) ^(c)	[K = J * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (6.09)	[L = J - K]			\$ (3.92)	[L = J - K]		
Cash Flow Items										
Impact Net of Income Tax			\$ (6.09)	[M = L]			\$ (3.92)	[M = L]		
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - Transaction #049			11.13 ^{(3)(d)}	[N = \$11.5 + D]			(1.15) ^{(3)(d)}	[N = D]		
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - Transaction #084			-	[O]			7.01 ^{(3)(e)}	[O = \$7.01]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 5.05	[P = Σ(M:O)]			\$ 1.94	[P = Σ(M:O)]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[Q]			\$ 192.50 ⁽²⁾	[Q]		
Change in Cash Flow as % of Reported Cash Flow			2.6%	[R = P / Q]			1.0%	[R = P / Q]		
Cash Flow as % of Reported Revenue			45.9%	[S = Q / A]			40.4%	[S = Q / A]		
Adjusted Cash Flow as % of Adjusted Revenue			48.1%	[T = (Q + P) / B]			41.4%	[T = (Q + P) / B]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, pages 4 and 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 5, and 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 Table 2.9 and Appendix F, and dated January 3, 2024, Appendix K.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%".
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%".
(d) According to the Brice Report Transaction #049 Appendix F write up, Autonomy paid FileTek, Inc. \$11,518,214 on May 31, 2010 in relation to this transaction. According to the Brice Report Appendices K and L, this capitalized cost is amortized over 60 months beginning in May 2010 (\$11,518,214 / 60 = \$191,970 per month).
(e) According to the Brice Report Transaction #084 Appendix F write up, Autonomy was to pay Tottenham Hotspur £4,370,000 in relation to this transaction. According to the Brice Report Appendices K and L, this capitalized cost for sponsorship of Tottenham Hotspur and is amortized "by reference to the number of Premier League home games played," outside of the subject period (£4,370,000 at the Historical Exchange Rate on March 31, 2011 of £0.62305 GBP/USD = \$7,013,883.32).



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for VAR Transactions
H1 2011 Compared to H1 2010

Attachment C.1

Alleged VAR Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Autonomy's Reported Revenue	\$ 194.18	\$ 221.13	\$ 415.31	⁽¹⁾ [A]	\$ 219.79	\$ 256.25	\$ 476.04	⁽²⁾ [A]	\$ 60.73	14.6%
Direct VAR Adjustments:										
Direct VAR Transaction #020 - NSA	\$ 3.50	\$ -	\$ 3.50	⁽³⁾	\$ -	\$ -	\$ -	⁽³⁾		
Direct VAR Transaction #028 - IBM/Ameriprise	-	0.32	0.32	⁽³⁾	0.32	0.32	0.64	⁽³⁾		
Direct VAR Transaction #038 - Dell - Morgan Stanley	4.66	-	4.66	⁽³⁾	-	-	-	⁽³⁾		
Direct VAR Transaction #040a - Capax	-	-	-	⁽³⁾	2.26	-	2.26	⁽³⁾		
Direct VAR Transaction #046 - PMI (Discover)	(4.19)	4.19	-	⁽³⁾	-	-	-	⁽³⁾		
Direct VAR Transaction #051 - DiscoverTech - Citi 32 cells	(5.50)	-	(5.50)	⁽³⁾	-	-	-	⁽³⁾		
Direct VAR Transaction #079 a / b / c / d - Bank of America	-	-	-	⁽³⁾	0.27	0.40	0.67	⁽³⁾		
Direct VAR Transaction #082 - KPMG	-	-	-	⁽³⁾	-	2.70	2.70	⁽³⁾		
Direct VAR Transaction #089 - UBS	-	-	-	⁽³⁾	(8.00)	-	(8.00)	⁽³⁾		
Direct VAR Transaction #090 - Bank of Montreal	-	-	-	⁽³⁾	(2.88)	-	(2.88)	⁽³⁾		
Direct VAR Transaction #101 - ABBOTT LABS - dt	-	-	-	⁽³⁾	-	(8.61)	(8.61)	⁽³⁾		
Direct VAR Transaction #105 - UBS - capax	-	-	-	⁽³⁾	-	(7.66)	(7.66)	⁽³⁾		
Direct VAR Transaction #120 - Dell Hyatt - mt	-	-	-	⁽³⁾	-	(5.33)	(5.33)	⁽³⁾		
Subtotal Direct VAR Transaction Adjustments (outs)	\$ (9.69)	\$ -	\$ (9.69)	[B]	\$ (10.88)	\$ (21.61)	\$ (32.49)	[B]		
Subtotal Direct VAR Transaction Adjustments (ins)	\$ 8.16	\$ 4.51	\$ 12.66	[C]	\$ 2.85	\$ 3.43	\$ 6.28	[C]		
Total Direct VAR Transaction Adjustments	\$ (1.53)	\$ 4.51	\$ 2.98	[D = B + C]	\$ (8.03)	\$ (18.18)	\$ (26.21)	[D = B + C]		
Linked VAR Adjustments:										
Linked VAR Transaction #045 - Capax Discovery, LLC (FSA - Capax)	\$ (4.29)	\$ -	\$ (4.29)	⁽³⁾	\$ -	\$ -	\$ -	⁽³⁾		
Linked VAR Transaction #050 - MicroTech, LLC	(11.00)	-	(11.00)	⁽³⁾	-	-	-	⁽³⁾		
Linked VAR Transaction #085 - MicroTech, LLC (Bank of America - MT)	-	-	-	⁽³⁾	(3.86)	-	(3.86)	⁽³⁾		
Linked VAR Transaction #088 - Capax Discovery, LLC (Mcafee - Capax)	-	-	-	⁽³⁾	(5.00)	-	(5.00)	⁽³⁾		
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)	-	-	-	⁽³⁾	(3.60)	-	(3.60)	⁽³⁾		
Linked VAR Transaction #121 - USPS archive - mt ^(h)	-	-	-	⁽³⁾	-	(7.00)	(7.00)	⁽³⁾		
Subtotal Linked VAR Transaction Adjustments	\$ (15.29)	\$ -	\$ (15.29)	[E]	\$ (12.46)	\$ (7.00)	\$ (19.46)	[E]		
Total Revenue Less Alleged VAR Adjustments	\$ 177.37	\$ 225.64	\$ 403.00	[F = A + D + E]	\$ 199.30	\$ 231.07	\$ 430.37	[F = A + D + E]	\$ 27.37	6.8%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30	⁽¹⁾	\$ 39.23	\$ 48.49	\$ 87.72	⁽²⁾		
Operating Expenses	84.98	98.90	183.88	⁽¹⁾	95.94	124.80	220.74	⁽²⁾		
Total Cost of Revenues and Operating Expenses	\$ 121.06	\$ 144.12	\$ 265.18	[G]	\$ 135.17	\$ 173.29	\$ 308.46	[G]		
Costs and Expenses:										
Linked VAR Transaction #050 - MicroTech, LLC	\$ -	\$ -	\$ -	⁽³⁾	\$ (0.36)	\$ (2.76)	\$ (3.12)	^{(3)(e)}		
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)	-	-	-	⁽³⁾	-	(2.00)	(2.00)	^{(3)(g)}		
Subtotal Linked VAR Transaction Adjustments	\$ -	\$ -	\$ -	[H]	\$ (0.36)	\$ (4.76)	\$ (5.12)	[H]		
Total Cost of Revenues and Operating Expenses Less Alleged VAR Adjustments	\$ 121.06	\$ 144.12	\$ 265.18	[I = G + H]	\$ 134.81	\$ 168.53	\$ 303.34	[I = G + H]		
Profit from Operations	\$ 73.12	\$ 77.01	\$ 150.13	[J = A - G]	\$ 84.62	\$ 82.96	\$ 167.58	[J = A - G]	\$ 17.45	11.6%
% of Corresponding Revenue			36.1%				35.2%			
Profit from Operations with Adjustments	\$ 56.31	\$ 81.52	\$ 137.82	[K = F - I]	\$ 64.49	\$ 62.54	\$ 127.03	[K = F - I]	\$ (10.79)	-7.8%
% of Corresponding Revenue			34.2%				29.5%			
Change In Profit From Operations			\$ (12.31)	[L = K - J]			\$ (40.55)	[L = K - J]		
Income Tax ⁽¹⁾⁽²⁾			(3.08)	^(b) [M = L * 25%]			(10.54)	^(c) [M = L * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (9.23)	[N = L - M]			\$ (30.01)	[N = L - M]		
Cash Flow Items										
Impact Net of Income Tax			\$ (9.23)	[O = N]			\$ (30.01)	[O = N]		
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - #045			-	[P]			2.00	^(d) [P]		
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - #050			-	[Q]			3.60	^(e) [Q]		
Paid Cost - Cost of Purchase from Counterparty - #085			-	[R]			0.71	^(f) [R]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ (9.23)	[S = Σ(O:R)]			\$ (23.69)	[S = Σ(O:R)]		



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for VAR Transactions
H1 2011 Compared to H1 2010

Attachment C.1

Alleged VAR Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)	Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾ [T]			\$ 192.50 ⁽²⁾ [T]
Change in Cash Flow as % of Reported Cash Flow			-4.8% [U = S / T]			-12.3% [U = S / T]
Cash Flow as % of Reported Revenue			45.9% [V = T / A]			40.4% [V = T / A]
Adjusted Cash Flow as % of Adjusted Revenue			45.1% [W = (S + T) / F]			39.2% [W = (S + T) / F]

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, pages 4 and 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 5, and 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.8 and Appendix F.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%".
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%".
(d) According to the Brice Report Transaction #045 Appendix F write up, \$2 million was paid by Autonomy on June 30, 2011. According to the Brice Report dated January 3, 2024, \$2 million was capitalized as an intangible asset on the last day of the Subject Period (June 30, 2011) and will be amortized.
(e) According to the Brice Report Transaction #050 Appendix F write up, \$4.321331 million was paid by Autonomy on December 31, 2010, and \$2.4 million was paid on June 30, 2011. According to the Brice Report dated January 3, 2024, \$4.321331 million was capitalized as an intangible asset and amortized over three years, starting on January 1, 2011, at \$120,037 per month (\$4,321,331 / 36 = \$120,037 per month).
(f) According to the Brice Report Transaction #085 Appendix F write up, a payment of \$714,082 made by Autonomy to MicroTech in June 2011. According to the Brice Report dated January 3, 2024, no expense was recorded in relation to this payment.

(g) According to the Brice Report Transaction #091 Appendix F write up and Appendix K, \$2 million was recorded as a Cost of Sale in Q2 2011 related to this transaction.
(h) In Appendix K to his Reports, Mr. Brice states he treated Transaction #121 "as a VAR rather than a linked transaction. This classification has no effect on the overall adjustment." For purposes of my analysis, and in line with the explanation in Appendix F of the Brice Reports, I treat this as an Allegedly Linked VAR Transaction.



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Linked VAR and Normalized Direct VAR Transactions
H1 2011 Compared to H1 2010

Attachment C.2

Alleged VAR Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Autonomy's Reported Revenue	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Direct VAR Adjustments:										
Direct VAR Transaction #020 - NSA	\$ 3.50	\$ -	\$ 3.50 ⁽³⁾		\$ -	\$ -	\$ - ⁽³⁾			
Direct VAR Transaction #028 - IBM/Ameriprise	-	0.32	0.32 ⁽³⁾		0.32	0.32	0.64 ⁽³⁾			
Direct VAR Transaction #038 - Dell - Morgan Stanley	4.66	-	4.66 ⁽³⁾		-	-	- ⁽³⁾			
Direct VAR Transaction #040a - Capax	-	-	- ⁽³⁾		2.26	-	2.26 ⁽³⁾			
Direct VAR Transaction #046 - PMI (Discover)	(4.19)	4.19	- ⁽³⁾		-	-	- ⁽³⁾			
Direct VAR Transaction #051 - DiscoverTech - Citi 32 cells	(5.50)	-	(5.50) ⁽³⁾		-	-	- ⁽³⁾			
Direct VAR Transaction #079 a / b / c / d - Bank of America	-	-	- ⁽³⁾		0.27	0.40	0.67 ⁽³⁾			
Direct VAR Transaction #082 - KPMG	-	-	- ⁽³⁾		-	2.70	2.70 ⁽³⁾			
Direct VAR Transaction #089 - UBS	-	-	- ⁽³⁾		(8.00)	-	(8.00) ⁽³⁾			
Direct VAR Transaction #090 - Bank of Montreal	-	-	- ⁽³⁾		(2.88)	-	(2.88) ⁽³⁾			
Direct VAR Transaction #101 - ABBOTT LABS - dt	-	-	- ⁽³⁾		-	(8.61)	(8.61) ⁽³⁾			
Direct VAR Transaction #105 - UBS - capax	-	-	- ⁽³⁾		-	(7.66)	(7.66) ⁽³⁾			
Direct VAR Transaction #120 - Dell Hyatt - mt	-	-	- ⁽³⁾		-	(5.33)	(5.33) ⁽³⁾			
Subtotal Direct VAR Transaction Adjustments (outs)	\$ (9.69)	\$ -	\$ (9.69)	[B]	\$ (10.88)	\$ (21.61)	\$ (32.49)	[B]		
Subtotal Direct VAR Transaction Adjustments (ins)	\$ 8.16	\$ 4.51	\$ 12.66	[C]	\$ 2.85	\$ 3.43	\$ 6.28	[C]		
Total Direct VAR Transaction Adjustments	\$ (1.53)	\$ 4.51	\$ 2.98	[D = B + C]	\$ (8.03)	\$ (18.18)	\$ (26.21)	[D = B + C]		
Normalization Adjustment					62.9%	62.9%	62.9%	[E]		
Average of Direct VAR Adjustments for H1 2011					\$ (5.05)	\$ (11.44)	\$ (16.50)	[F = D * E]		
Total Direct VAR Transaction Adjustments Including Normalization	\$ (1.53)	\$ 4.51	\$ 2.98	[E = D]	\$ (2.97)	\$ (6.74)	\$ (9.71)	[G = D - F]		
Linked VAR Adjustments:										
Linked VAR Transaction #045 - Capax Discovery, LLC (FSA - Capax)	\$ (4.29)	\$ -	\$ (4.29) ⁽³⁾		\$ -	\$ -	\$ - ⁽³⁾			
Linked VAR Transaction #050 - MicroTech, LLC	(11.00)	-	(11.00) ⁽³⁾		-	-	- ⁽³⁾			
Linked VAR Transaction #085 - MicroTech, LLC (Bank of America - MT)	-	-	- ⁽³⁾		(3.86)	-	(3.86) ⁽³⁾			
Linked VAR Transaction #088 - Capax Discovery, LLC (Mcafee - Capax)	-	-	- ⁽³⁾		(5.00)	-	(5.00) ⁽³⁾			
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)	-	-	- ⁽³⁾		(3.60)	-	(3.60) ⁽³⁾			
Linked VAR Transaction #121 - USPS archive - mt ^(h)	-	-	- ⁽³⁾		-	(7.00)	(7.00) ⁽³⁾			
Subtotal Linked VAR Transaction Adjustments	\$ (15.29)	\$ -	\$ (15.29)	[F]	\$ (12.46)	\$ (7.00)	\$ (19.46)	[H]		
Total Revenue Less Alleged VAR Adjustments	\$ 177.37	\$ 225.64	\$ 403.00	[G = A + E + F]	\$ 204.35	\$ 242.51	\$ 446.87	[I = A + G + H]	\$ 43.87	10.9%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30 ⁽¹⁾		\$ 39.23	\$ 48.49	\$ 87.72 ⁽²⁾			
Operating Expenses	84.98	98.90	183.88 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.06	\$ 144.12	\$ 265.18	[H]	\$ 135.17	\$ 173.29	\$ 308.46	[J]		
Costs and Expenses:										
Linked VAR Transaction #050 - MicroTech, LLC	\$ -	\$ -	\$ - ⁽³⁾		\$ (0.36)	\$ (2.76)	\$ (3.12) ^{(3)(e)}			
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)	-	-	- ⁽³⁾		-	(2.00)	(2.00) ^{(3)(g)}			
Subtotal Linked VAR Transaction Adjustments	\$ -	\$ -	\$ -	[I]	\$ (0.36)	\$ (4.76)	\$ (5.12)	[K]		
Total Cost of Revenues and Operating Expenses Less Alleged VAR Adjustments	\$ 121.06	\$ 144.12	\$ 265.18	[J = H + I]	\$ 134.81	\$ 168.53	\$ 303.34	[L = J + K]		
Profit from Operations	\$ 73.12	\$ 77.01	\$ 150.13	[K = A - H]	\$ 84.62	\$ 82.96	\$ 167.58	[M = A - J]	\$ 17.45	11.6%
% of Corresponding Revenue			36.1%				35.2%			
Profit from Operations with Adjustments	\$ 56.31	\$ 81.52	\$ 137.82	[L = G - J]	\$ 69.54	\$ 73.98	\$ 143.53	[N = I - L]	\$ 5.71	4.1%
% of Corresponding Revenue			34.2%				32.1%			
Change In Profit From Operations			\$ (12.31)	[M = L - K]			\$ (24.05)	[O = N - M]		
Income Tax ⁽¹⁾⁽²⁾			(3.08) ^(b)	[N = M * 25%]			(6.25) ^(c)	[P = O * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (9.23)	[O = M - N]			\$ (17.80)	[Q = O - P]		



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Linked VAR and Normalized Direct VAR Transactions
H1 2011 Compared to H1 2010

Attachment C.2

Alleged VAR Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)	Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)
<i>Cash Flow Items</i>						
Impact Net of Income Tax			\$ (9.23) [P = O]			\$ (17.80) [R = Q]
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - #045			- [Q]			2.00 ^(d) [S]
Capitalized Cost - Remaining Unamortized Cost of Purchase from Counterparty - #050			- [R]			3.60 ^(e) [T]
Paid Cost - Cost of Purchase from Counterparty - #085			- [S]			0.71 ^(f) [U]
Net Impact to Cash Flows of Selected Items All Else Equal			\$ (9.23) [T = Σ(P:S)]			\$ (11.48) [V = Σ(R:U)]
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾ [U]			\$ 192.50 ⁽²⁾ [W]
Change in Cash Flow as % of Reported Cash Flow			-4.8% [V = T / U]			-6.0% [X = V / W]
Cash Flow as % of Reported Revenue			45.9% [W = U / A]			40.4% [Y = W / A]
Adjusted Cash Flow as % of Adjusted Revenue			45.1% [X = (U + T) / G]			40.5% [Z = (W + V) / I]

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, pages 4 and 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 5, and 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Table 2.8 and Appendix F.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%".
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%".
(d) According to the Brice Report Transaction #045 Appendix F write up, \$2 million was paid by Autonomy on June 30, 2011. According to the Brice Report dated January 3, 2024, \$2 million was capitalized as an intangible asset on the last day of the Subject Period (June 30, 2011).
(e) According to the Brice Report Transaction #050 Appendix F write up, \$4.321331 million was paid by Autonomy on December 31, 2010, and \$2.4 million was paid on June 30, 2011. According to the Brice Report dated January 3, 2024, \$4.321331 million was capitalized as an intangible asset and amortized over three years, starting on January 1, 2011, at \$120,037 per month (\$4,321,331 / 36 = \$120,037 per month).
(f) According to the Brice Report Transaction #085 Appendix F write up, a payment of \$714,082 made by Autonomy to MicroTech in June 2011. According to the Brice Report dated January 3, 2024, no expense was recorded in relation to this payment.
(g) According to the Brice Report Transaction #091 Appendix F write up and Appendix K, \$2 million was recorded as a Cost of Sale in Q2 2011 related to this transaction.
(h) In Appendix K to his Reports, Mr. Brice states he treated Transaction #121 "as a VAR rather than a linked transaction. This classification has no effect on the overall adjustment." For purposes of my analysis, and in line with the explanation in Appendix F of the Brice Reports, I treat this as an Allegedly Linked VAR Transaction.

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Sample of Representative Multi-Period Hosting Transactions
Comparison Of Annual Revenue Recognition Up-Front vs. Ratably
Sample Transactions From Brice Report Table 2.10

Company A						
SW-09-013 Bank of America, NA - \$9.2 million contract license amount, 60 month duration SW-10-059 JP Morgan Chase Bank, N.A. - \$8.7 million contract license amount, 60 month duration SW-11-086 Deutsche Bank AG - \$7.1 million contract license amount, 60 month duration						
Revenue Recognition Method Selected: License Revenue Recognized 100% Up Front						

Year	Revenue					Years of Revenue
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Cash Received					Years of Cash Received
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Profit Contribution At 87% Gross Profit Margin ^{(4)(a)}					Years of Profit Contribution
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	\$ 8,025,430	\$ -	\$ -	\$ 8,025,430		1
2010	-	7,585,339	-	7,585,339	-5.5%	1
2011	-	-	6,190,334	6,190,334	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 8,025,430	\$ 7,585,339	\$ 6,190,334	\$ 21,801,103		3
Average				\$ 2,725,138	-41.3%	

Company B						
SW-09-013 Bank of America, NA - \$9.2 million contract license amount, 60 month duration SW-10-059 JP Morgan Chase Bank, N.A. - \$8.7 million contract license amount, 60 month duration SW-11-086 Deutsche Bank AG - \$7.1 million contract license amount, 60 month duration						
Revenue Recognition Method Selected: License Revenue Recognized Ratably on Straight-Line Bases Over Contract Duration						

Year	Revenue					Years of Revenue
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	1,380,714	\$ -	\$ -	\$ 1,380,714		1
2010	1,840,952	870,000	-	2,710,952	96.3%	1
2011	1,840,952	1,740,000	1,065,000	4,645,952	71.4%	1
2012	1,840,952	1,740,000	1,420,000	5,000,952	7.6%	1
2013	1,840,952	1,740,000	1,420,000	5,000,952		1
2014	460,238	1,740,000	1,420,000	3,620,238		1
2015	-	870,000	1,420,000	2,290,000		1
2016	-	-	355,000	355,000		1
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		8
Average				\$ 3,125,595	58.5%	

Year	Cash Received					Years of Cash Received
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	\$ 9,204,762	\$ -	\$ -	\$ 9,204,762		1
2010	-	8,700,000	-	8,700,000	-5.5%	1
2011	-	-	7,100,000	7,100,000	-18.4%	1
2012	-	-	-	-	-100.0%	0
2013	-	-	-	-		0
2014	-	-	-	-		0
2015	-	-	-	-		0
2016	-	-	-	-		0
Total	\$ 9,204,762	\$ 8,700,000	\$ 7,100,000	\$ 25,004,762		3
Average				\$ 3,125,595	-41.3%	

Year	Profit Contribution At 87% Gross Profit Margin ^{(4)(a)}					Years of Profit Contribution
	SW-09-013 Bank Of America, NA ⁽¹⁾	SW-10-059 JP Morgan Chase Bank, N.A. ⁽²⁾	SW-11-086 Deutsche Bank AG ⁽³⁾	Total	Year-Over- Year % Change	
2009	\$ 1,203,814	\$ -	\$ -	\$ 1,203,814		1
2010	1,605,086	758,534	-	2,363,620	96.3%	1
2011	1,605,086	1,517,068	928,550	4,050,704	71.4%	1
2012	1,605,086	1,517,068	1,238,067	4,360,221	7.6%	1
2013	1,605,086	1,517,068	1,238,067	4,360,221		1
2014	401,271	1,517,068	1,238,067	3,156,406		1
2015	-	758,534	1,238,067	1,996,601		1
2016	-	-	309,517	309,517		1
Total	\$ 8,025,430	\$ 7,585,339	\$ 6,190,334	\$ 21,801,103		8
Average				\$ 2,725,138	58.5%	

Observations: Company A vs. Company B	
Company B Revenue Total revenue: same Average revenue per year: same Number of years with revenue: more Number of years with no revenue: less (none)	Company B Year-Over-Year % Change During First 3 Years Greater Greater on Average
Company B Cash Total cash received: same Average cash received per year: same Number of years with cash received: same Number of years with no cash received: same	Company B Year-Over-Year % Change During First 3 Years Same Same on Average
Company B Profit Contribution Total profit: same Average profit per year: same Number of years with profit contribution: more Number of years with no profit contribution: less (none)	Company B Year-Over-Year % Change During First 3 Years Greater Greater on Average

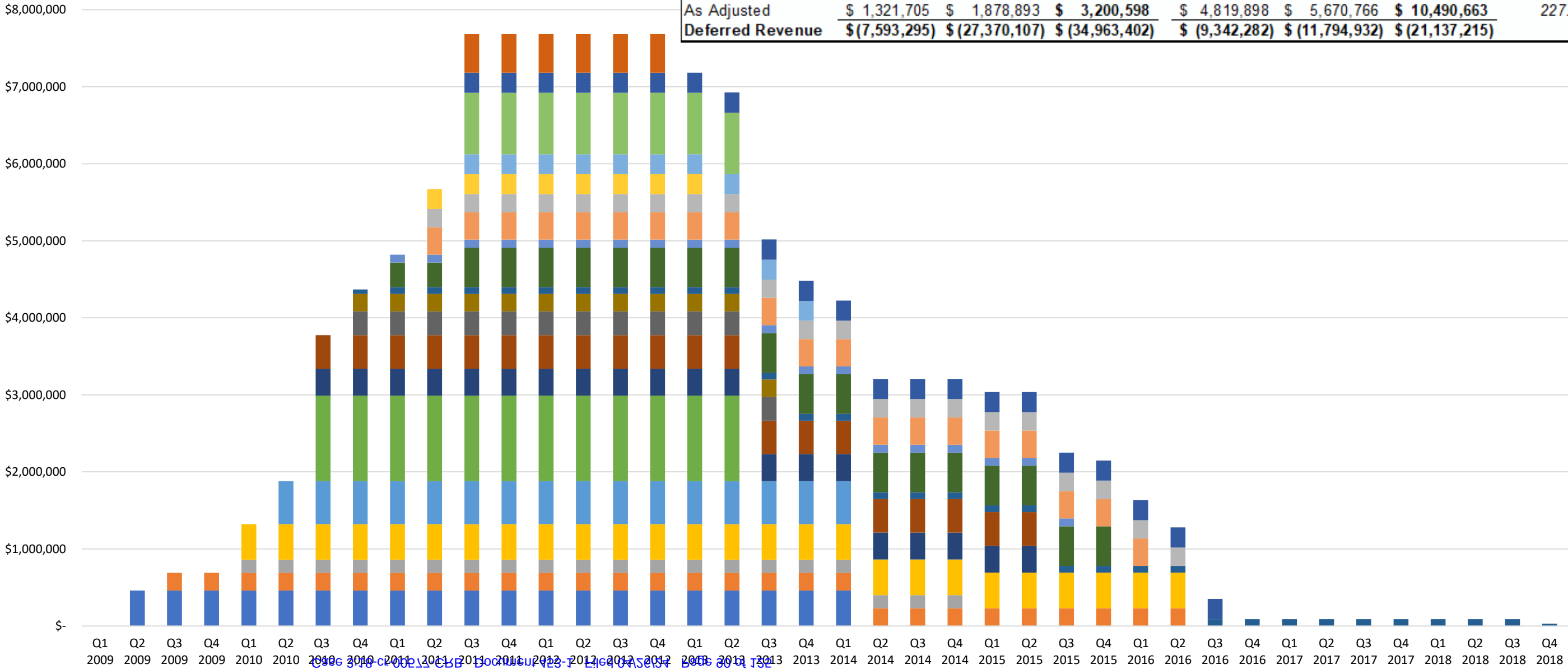
Source(s):
(1) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-09-013 Bank of America, NA (Bank of America).pdf.
(2) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-10-059 J P Morgan Chase Bank, N.A. (JPMC).pdf.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023, Appendix F: SW-11-086 Deutsche Bank AG (DB Restructure).pdf.
(4) Autonomy Corporation plc Annual Report and Accounts for the year ended 31 December 2010, page 16 and 45.

Note:
(a) The gross profit margin is based on the gross profit as reported in Autonomy's 2010 annual report [(\$701,573,000 + \$57,280,000) / \$870,366,000 = 87%].



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Multi-Period Hosting Transactions
Revenues As Adjusted

Earned Revenue	Q1 2010	Q2 2010	Q1 & Q2 2010	Q1 2011	Q2 2011	Q1 & Q2 2011	Yr-Over-Yr % Change
As Reported	\$ 8,915,000	\$ 29,249,000	\$ 38,164,000	\$ 14,162,180	\$ 17,465,698	\$ 31,627,878	-17.1%
As Adjusted	\$ 1,321,705	\$ 1,878,893	\$ 3,200,598	\$ 4,819,898	\$ 5,670,766	\$ 10,490,663	227.8%
Deferred Revenue	\$ (7,593,295)	\$ (27,370,107)	\$ (34,963,402)	\$ (9,342,282)	\$ (11,794,932)	\$ (21,137,215)	



- SW-09-013

SW-09-022

SW-09-032

SW-09-035

SW-10-048

SW-10-053

SW-10-058

SW-10-059

SW-10-063

SW-10-067
- SW-10-076

SW-10-077

SW-10-078

SW-11-086

SW-11-087

SW-11-093

SW-11-102

SW-11-109

SW-11-116

SW-11-117



United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Multi-Period Hosting Transactions
H1 2011 Compared to H1 2010

Attachment F.1

Multi-Period Hosting Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenue	\$ 194.18	\$ 221.13	\$ 415.31	[A]	\$ 219.79	\$ 256.25	\$ 476.04	[A]	\$ 60.73	14.6%
Multi-Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96)	[B]	(9.34)	(11.79)	(21.14)	[B]		
Total Revenue Less Multi-Period Hosting Transaction Adjustments	\$ 186.59	\$ 193.76	\$ 380.35	[C]	\$ 210.45	\$ 244.46	\$ 454.90	[C]	\$ 74.56	19.6%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30		\$ 39.23	\$ 48.49	\$ 87.73			
Operating Expenses	84.98	98.90	183.87		95.94	124.80	220.74			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[D]	\$ 135.17	\$ 173.30	\$ 308.47	[D]		
Costs and Expenses Related to Multi-Period Hosting Transactions	(0.97)	(3.51)	(4.48)	[E = B * (1 - 87.19%)]	(1.20)	(1.51)	(2.71)	[E = B * (1 - 87.19%)]		
Total Cost of Revenues and Operating Expenses Less Multi-Period Hosting Adjustments	\$ 120.08	\$ 140.61	\$ 260.69	[F]	\$ 133.97	\$ 171.79	\$ 305.76	[F]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14	[G = A - D]	\$ 84.62	\$ 82.95	\$ 167.57	[G = A - D]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 66.51	\$ 53.15	\$ 119.66	[H = C - F]	\$ 76.47	\$ 72.67	\$ 149.14	[H = C - F]	\$ 29.49	24.6%
% of Corresponding Revenue			31.5%				32.8%			
Change In Profit From Operations			\$ (30.48)	[I = H - G]			\$ (18.43)	[I = H - G]		
Income Tax ⁽¹⁾⁽²⁾			(7.62)	[J = I * 25%]			(4.79)	[J = I * 26%]		
Impact to Cash Flow Net of Income Tax			\$ (22.86)	[K = I - J]			\$ (13.64)	[K = I - J]		
Cash Flow Items	Less Revenue Recognized		Cash Flow Items		Less Revenue Recognized		Cash Flow Items			
Impact Net of Income Tax			\$ (22.86)	[L = K]			\$ (13.64)	[L = K]		
Transaction #035 Cash Not Received Upfront	\$ 0.46	\$ 0.46	5.08	[M]	\$ -	\$ -	-	[M]		
Transaction #059 Cash Not Received Upfront	-	-	(6.70)	[N]	0.44	0.44	1.13	[N]		
Transaction #063 Cash Not Received Upfront	-	-	-	[O]	-	-	-	[O]		
Transaction #067 Cash Not Received Upfront	-	-	-	[P]	-	-	-	[P]		
Transaction #093 Cash Not Received Upfront	-	-	-	[Q]	-	0.26	(1.63)	[Q]		
Transaction #109 Cash Not Received Upfront	-	-	-	[R]	-	-	(4.26)	[R]		
Transaction #117 Cash Not Received Upfront	-	-	-	[S]	-	-	(2.25)	[S]		
Increase in Deferred (Unearned) Revenue Liability			34.96	[T = - B]			21.14	[T = - B]		
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 10.48	[U = Σ(L:T)]			\$ 0.49	[U = Σ(L:T)]		
Reported Cash Flow from Operations			\$ 190.80	[V]			\$ 192.50	[V]		
Change in Cash Flow as % of Reported Cash Flow			5.5%	[W = U / V]			0.3%	[W = U / V]		
Cash Flow as % of Reported Revenue			45.9%	[X = V / A]			40.4%	[X = V / A]		
Adjusted Cash Flow as % of Adjusted Revenue			52.9%	[Y = (V + U) / C]			42.4%	[Y = (V + U) / C]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, pages 4 and 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 5, and 10-11.
(3) Summary of independent expert accounting opinions of Steven Brice, FCA, dated November 8, 2023 and dated January 3, 2024, Table 2.10 and Appendix F.

Note(s):

- (a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.
(b) The gross profit margin is based on the gross profit as reported in Autonomy's 2010 annual report [(\$701,573,000 + \$57,280,000) / \$870,366,000 = 87.19%].
(c) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010", page 4: "The full year effective tax rate for 2010 is 25%".
(d) From "Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011", page 5: "The full year effective tax rate for 2011 is currently forecast at 26%".
(e) The Brice Report Transaction #035 Appendix F write up states this transaction is \$12,000,000 payable to Autonomy in installments over 12 months starting in December 2009. I have assumed that these will be equal installments of \$1,000,000 each month.
(f) The Brice Report Transaction #059 Appendix F write up states this transaction is \$8,700,000 "License Fees" payable in three installments over 2 years. Brice's January 3, 2024 report, page 71 states "\$4.7 million of the total license fee of \$8.7 million was in fact payable two years after the date of the contract." I have assumed that the payments would occur at year = 0 (Q2 2010) for \$2,000,000, year = 1 (Q2 2011) for \$2,000,000, and year = 2 (Q2 2012) for \$4,700,000.
(g) The Brice Report Transaction #063 Appendix F write up states this transaction is \$5,000,000 payable in installments from September 30, 2010 until September 30, 2012. The Brice Report does not note the timing or amount of payments for each installment. Although it is not detailed in Brice's transaction write up, there is a difference between the \$5,000,000 license revenue agreed to and the \$3,694,887 recorded. This calculation assumes that \$3,694,887 of the \$5,000,000 was received by Autonomy related to license revenue. I have assumed that there will be payments at year = 0 (Q3 2010), year = 1 (Q3 2011), and year = 2 (Q3 2012) in 3 equal installments of \$1,231,629 (\$3,694,887 / 3 = \$1,231,629). No adjustment to cash flow is shown as the payments are all outside of the subject period.
(h) The Brice Report Transaction #067 Appendix F write up states this transaction is \$3,185,253 payable in installments from September 30, 2010 until September 30, 2012, which includes \$50,000 that was recognized as training revenue and \$408,646 of deferred maintenance revenue. The Brice Report does not note the timing or amount of payments for each installment. This calculation assumes that \$2,726,307 of the \$3,185,253 was received by Autonomy related to license revenue. I have assumed that the payments would occur at year = 0 (Q3 2010), year = 1 (Q3 2011), and year = 2 (Q3 2012) in 3 equal installments of \$908,769 (\$2,726,307 / 3 = \$908,769). No adjustment to cash flow is shown as the payments are all outside of the subject period.
(i) The Brice Report Transaction #093 Appendix F write up states this transaction is \$2,659,176 payable in installments beginning on March 31, 2011 until March 15, 2013. Brice's transaction Appendix F write upstates that \$2,062,180 was recognized as revenue by Autonomy. HKA assumes the same amount was received in cash by Autonomy. The Brice Report does not note the timing or amount of payments for each installment. I have assumed that the payments would occur on year = 0 (Q1 2011), year = 1 (Q1 2012), and year = 2 (Q1 2013) in 3 equal installments of \$687,393.33 (\$2,062,180 / 3 = \$687,393.33).
(j) The Brice Report Transaction #109 Appendix F write up states this transaction is \$5,306,800 payable in installments beginning on June 27, 2011 until June 29, 2012. Brice's transaction Appendix F write upstates that \$6,391,771 was recognized as revenue by Autonomy. HKA assumes the same amount was received in cash by Autonomy. I have assumed that the payments would occur at year = 0 (Q2 2011), year = 0.5 (Q4 2011), and year = 1 (Q2 2012) in 3 equal installments of \$2,130,590.33 (\$6,391,771 / 3 = \$2,130,590.33).
(k) The Brice Report Transaction #117 Appendix F write up states this transaction is \$3,000,000 payable in four installments from June 27, 2011 until December 30, 2012. I have assumed that the payments would occur on year = 0 (Q2 2011), year = 0.5 (Q4 2011), year = 1 (Q2 2012) and year = 1.5 (Q4 2012) in 4 equal installments of \$750,000. (\$3,000,000 / 4 = \$750,000).

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Hardware, Linked, VAR, and Multi-Period Hosting Transactions
H1 2011 Compared to H1 2010

Attachment G.1



All Adjustments (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Hardware Adjustment	(11.84)	(31.06)	(42.90) ⁽³⁾		(20.09)	(20.85)	(40.94) ⁽³⁾			
Linked Transaction Adjustments	(8.50)	-	(8.50) ⁽⁴⁾		(6.45)	-	(6.45) ⁽⁴⁾			
Direct VAR Transactions	(1.53)	4.51	2.98 ⁽⁵⁾		(8.03)	(18.18)	(26.21) ⁽⁵⁾			
Linked VAR Transactions	(15.29)	-	(15.29) ⁽⁵⁾		(12.46)	(7.00)	(19.46) ⁽⁵⁾			
Multi Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96) ⁽⁶⁾	[B]	(9.34)	(11.79)	(21.14) ⁽⁶⁾	[B]		
Total Revenue Less Adjustments	\$ 149.43	\$ 167.21	\$ 316.64	[C]	\$ 163.42	\$ 198.43	\$ 361.85	[C]	\$ 45.21	14.3%
Total Cost of Revenues	36.08	45.22	81.30 ⁽¹⁾		39.23	48.49	87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[D]	\$ 135.17	\$ 173.30	\$ 308.47	[D]		
Costs and Expenses Related to Alleged Hardware Revenues	\$ (13.21)	\$ (34.66)	\$ (47.87) ⁽³⁾		\$ (21.53)	\$ (23.39)	\$ (44.92) ⁽³⁾			
Costs and Expenses Related to Alleged Linked Transactions	-	(0.38)	(0.38) ⁽⁴⁾		(0.58)	(0.58)	(1.15) ⁽⁴⁾			
Costs and Expenses Related to Alleged VAR Revenues	-	-	- ⁽⁵⁾		(0.36)	(4.76)	(5.12) ⁽⁵⁾			
Costs and Expenses Related to Multi Period Hosting Revenues	(0.97)	(3.51)	(4.48) ⁽⁶⁾		(1.20)	(1.51)	(2.71) ⁽⁶⁾			
Total Cost of Revenues and Operating Expenses Less Adjustments	\$ 106.87	\$ 105.57	\$ 212.44	[E]	\$ 111.51	\$ 143.06	\$ 254.57	[E]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[F = A - D]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[F = A - D]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 42.56	\$ 61.64	\$ 104.20	[G = C - E]	\$ 51.92	\$ 55.37	\$ 107.28	[G = C - E]	\$ 3.08	3.0%
% of Corresponding Revenue			32.9%				29.6%			
<u>Impact of Cash Flow Items</u>										
A.1 Hardware			\$ 3.73 ⁽³⁾	[H]			\$ 2.95 ⁽³⁾	[H]		
B.1 Linked			5.05 ⁽⁴⁾	[I]			1.94 ⁽⁴⁾	[I]		
C.1 VAR - Direct and Linked			(9.23) ⁽⁵⁾	[J]			(23.69) ⁽⁵⁾	[J]		
F.1 Multi-Period Hosting			10.48 ⁽⁶⁾	[K]			0.49 ⁽⁶⁾	[K]		
Impact to Cash Flow Net of Income Tax			\$ 10.02	[L = Σ(H:K)]			\$ (18.31)	[L = Σ(H:K)]		
Change in Cash Flow as % of Reported Revenue			2.4%	[M = L / A]			-3.8%	[M = L / A]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[N]			\$ 192.50 ⁽²⁾	[N]		
Change in Cash Flow as % of Reported Cash Flow			5.3%	[O = L / N]			-9.5%	[O = L / N]		
Cash Flow as % of Reported Revenue			45.9%	[P = N / A]			40.4%	[P = N / A]		
Adjusted Cash Flow as % of Adjusted Revenue			63.4%	[Q = (N + L) / C]			48.1%	[Q = (N + L) / C]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Attachment A.1.
(4) Attachment B.1.
(5) Attachment C.1.
(6) Attachment F.1.

Note(s):

(a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Hardware, Linked, and Multi-Period Hosting Transactions
H1 2011 Compared to H1 2010

Attachment G.2



All Adjustments (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Hardware Adjustment	(11.84)	(31.06)	(42.90) ⁽³⁾		(20.09)	(20.85)	(40.94) ⁽³⁾			
Linked Transaction Adjustments	(8.50)	-	(8.50) ⁽⁴⁾		(6.45)	-	(6.45) ⁽⁴⁾			
Multi Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96) ⁽⁵⁾	[B]	(9.34)	(11.79)	(21.14) ⁽⁵⁾	[B]		
Total Revenue Less Adjustments	\$ 166.25	\$ 162.70	\$ 328.95	[C]	\$ 183.91	\$ 223.61	\$ 407.51	[C]	\$ 78.57	23.9%
Total Cost of Revenues	36.08	45.22	81.30 ⁽¹⁾		39.23	48.49	87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[D]	\$ 135.17	\$ 173.30	\$ 308.47	[D]		
Costs and Expenses Related to Alleged Hardware Revenues	\$ (13.21)	\$ (34.66)	\$ (47.87) ⁽³⁾		\$ (21.53)	\$ (23.39)	\$ (44.92) ⁽³⁾			
Costs and Expenses Related to Alleged Linked Transactions	-	(0.38)	(0.38) ⁽⁴⁾		(0.58)	(0.58)	(1.15) ⁽⁴⁾			
Costs and Expenses Related to Multi Period Hosting Revenues	(0.97)	(3.51)	(4.48) ⁽⁵⁾		(1.20)	(1.51)	(2.71) ⁽⁵⁾			
Total Cost of Revenues and Operating Expenses Less Adjustments	\$ 106.87	\$ 105.57	\$ 212.44	[E]	\$ 111.87	\$ 147.82	\$ 259.69	[E]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[F = A - D]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[F = A - D]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 59.38	\$ 57.13	\$ 116.51	[G = C - E]	\$ 72.04	\$ 75.79	\$ 147.83	[G = C - E]	\$ 31.32	26.9%
% of Corresponding Revenue			35.4%				36.3%			
<u>Impact of Cash Flow Items</u>										
A.1 Hardware			\$ 3.73 ⁽³⁾	[H]			\$ 2.95 ⁽³⁾	[H]		
B.1 Linked			5.05 ⁽⁴⁾	[I]			1.94 ⁽⁴⁾	[I]		
F.1 Multi-Period Hosting			10.48 ⁽⁵⁾	[J]			0.49 ⁽⁵⁾	[J]		
Impact to Cash Flow Net of Income Tax			\$ 19.25	[K = Σ(H:J)]			\$ 5.38	[K = Σ(H:J)]		
Change in Cash Flow as % of Reported Revenue			4.6%	[L = K / A]			1.1%	[L = K / A]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[M]			\$ 192.50 ⁽²⁾	[M]		
Change in Cash Flow as % of Reported Cash Flow			10.1%	[N = K / M]			2.8%	[N = K / M]		
Cash Flow as % of Reported Revenue			45.9%	[O = M / A]			40.4%	[O = M / A]		
Adjusted Cash Flow as % of Adjusted Revenue			63.9%	[P = (M + K) / C]			48.6%	[P = (M + K) / C]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Attachment A.1.
(4) Attachment B.1.
(5) Attachment F.1.

Note(s):

(a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.

United States of America v. Michael Richard Lynch and Stephen Keith Chamberlain
Adjustments for Hardware, Linked, Normalized VAR, and Multi-Period Hosting Transactions
H1 2011 Compared to H1 2010

Attachment G.3



All Adjustments (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenues	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Hardware Adjustment	(11.84)	(31.06)	(42.90) ⁽³⁾		(20.09)	(20.85)	(40.94) ⁽³⁾			
Linked Transaction Adjustments	(8.50)	-	(8.50) ⁽⁴⁾		(6.45)	-	(6.45) ⁽⁴⁾			
Direct VAR Transactions	(1.53)	4.51	2.98 ⁽⁵⁾		(2.97)	(6.74)	(9.71) ⁽⁵⁾			
Linked VAR Transactions	(15.29)	-	(15.29) ⁽⁵⁾		(12.46)	(7.00)	(19.46) ⁽⁵⁾			
Multi Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96) ⁽⁶⁾	[B]	(9.34)	(11.79)	(21.14) ⁽⁶⁾	[B]		
Total Revenue Less Adjustments	\$ 149.43	\$ 167.21	\$ 316.64	[C]	\$ 168.47	\$ 209.87	\$ 378.34	[C]	\$ 61.71	19.5%
Total Cost of Revenues	36.08	45.22	81.30 ⁽¹⁾		39.23	48.49	87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[D]	\$ 135.17	\$ 173.30	\$ 308.47	[D]		
Costs and Expenses Related to Alleged Hardware Revenues	\$ (13.21)	\$ (34.66)	\$ (47.87) ⁽³⁾		\$ (21.53)	\$ (23.39)	\$ (44.92) ⁽³⁾			
Costs and Expenses Related to Alleged Linked Transactions	-	(0.38)	(0.38) ⁽⁴⁾		(0.58)	(0.58)	(1.15) ⁽⁴⁾			
Costs and Expenses Related to Alleged VAR Revenues	-	-	- ⁽⁵⁾		(0.36)	(4.76)	(5.12) ⁽⁵⁾			
Costs and Expenses Related to Multi Period Hosting Revenues	(0.97)	(3.51)	(4.48) ⁽⁶⁾		(1.20)	(1.51)	(2.71) ⁽⁶⁾			
Total Cost of Revenues and Operating Expenses Less Adjustments	\$ 106.87	\$ 105.57	\$ 212.44	[E]	\$ 111.51	\$ 143.06	\$ 254.57	[E]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[F = A - D]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[F = A - D]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 42.56	\$ 61.64	\$ 104.20	[G = C - E]	\$ 56.97	\$ 66.81	\$ 123.78	[G = C - E]	\$ 19.58	18.8%
% of Corresponding Revenue			32.9%				32.7%			
<u>Impact of Cash Flow Items</u>										
A.1 Hardware			\$ 3.73 ⁽³⁾	[H]			\$ 2.95 ⁽³⁾	[H]		
B.1 Linked			5.05 ⁽⁴⁾	[I]			1.94 ⁽⁴⁾	[I]		
C.2 VAR - Direct and Linked			(9.23) ⁽⁵⁾	[J]			(11.48) ⁽⁵⁾	[J]		
F.1 Multi-Period Hosting			10.48 ⁽⁶⁾	[K]			0.49 ⁽⁶⁾	[K]		
Impact to Cash Flow Net of Income Tax			\$ 10.02	[L = Σ(H:K)]			\$ (6.11)	[L = Σ(H:K)]		
Change in Cash Flow as % of Reported Revenue			2.4%	[M = L / A]			-1.3%	[M = L / A]		
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[N]			\$ 192.50 ⁽²⁾	[N]		
Change in Cash Flow as % of Reported Cash Flow			5.3%	[O = L / N]			-3.2%	[O = L / N]		
Cash Flow as % of Reported Revenue			45.9%	[P = N / A]			40.4%	[P = N / A]		
Adjusted Cash Flow as % of Adjusted Revenue			63.4%	[Q = (N + L) / C]			49.3%	[Q = (N + L) / C]		

Source(s):

- (1) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2010, page 7.
(2) Autonomy Corporation PLC Announces Interim Results For The Six Months Ended June 30 2011, pages 10-11.
(3) Attachment A.1.
(4) Attachment B.1.
(5) Attachment C.2.
(6) Attachment F.1.

Note(s):

(a) The Interim Results for 2010 and 2011 contain only Q2 and total Half Year values. Q1 is calculated as the difference between the Half Year and Q2 values.

Exhibit C

1 sense, international standards, they're accounting standards.
2 And both Hewlett Packard and Autonomy agreed that those were
3 the standards.

4 So now we have different standards, and what you're
5 telling me is that it may be -- I don't know that I would cut
6 you off. From an expert point of view, I'm cutting you off,
7 because, again, I haven't heard Mr. Lynch.

8 He says, "Well, look, I didn't -- you know, I didn't
9 produce these because we didn't have to produce them, and
10 that's the way we do it in England." And that's right.

11 Well, maybe that does, to some extent, affect his state of
12 mind. I don't know.

13 **MR. HEBERLIG:** Okay. That's fine.

14 **THE COURT:** But we're not there yet.

15 **MR. HEBERLIG:** Understood.

16 **THE COURT:** Mr. Levitske.

17 **MR. HEBERLIG:** Yes.

18 **THE COURT:** Mr. Levitske is a bit of a mystery to me.
19 I don't know what he's saying. I can't make it out.

20 Now, you can say, "Well, Judge, you're tired. You've done
21 this so long, you're not really concentrating on this thing."
22 But he uses terms -- I forget where they are -- little in, late
23 in, last in, first out, something else.

24 So what I'm going to do with Mr. Levitske, before getting
25 into it, is accepting the Government's suggestion of a

PROCEEDINGS

1 supplemental disclosure pinpointing the bases for the opinions
2 that he's given. Because as I read the -- Mr. Levitske's
3 opinion, it just doesn't make any sense to me.

4 Now, that's okay. I'm not the trier of fact, but I think
5 it is a good idea to try to make some sense out of it and then
6 I'll decide if you can.

7 **MR. HEBERLIG:** Well, first of all, they're not asking
8 for a supplementation of his opinion. They fully understood
9 his opinion. Their expert wrote 19 pages in rebuttal and
10 offered three different appendices to rebut it. So it's not
11 unknown to them what his opinions are. They quibble about a
12 few of the inputs.

13 And I submit that his disclosure was more than sufficient
14 as evidenced by the rebuttal we got from their expert, but the
15 testimony is very straightforward.

16 I mean, I understand there are a lot of numbers, but I can
17 boil it down like this: Plenty of Government witnesses
18 testified, "Oh, my God, had I only known about the hardware,
19 this company would have been worth so much less."

20 Okay, that's one category of the transactions.

21 So we asked Mr. Levitske: Assume the hardware
22 transactions never occurred. Would the company that you're
23 looking at be worth more or less?

24 He stripped out the hardware revenue, the hardware
25 expenses, and what was left was a company that had more profit,

1 was growing faster, had more cash on hand; and as he opined,
2 all things being equal, under a discount cash flow model --
3 which is the standard in evaluating a mature company like
4 Autonomy -- it would at least be worth the same, if not more.

5 **THE COURT:** Look, maybe you've done it. I'm not
6 asking you to do a lot. Do the supplemental because,
7 number one, I think the devil is in the details. How you
8 are -- you've come to the conclusion it's worth a lot more or
9 it's worth more.

10 **MR. HEBERLIG:** Not more. The same.

11 **THE COURT:** Of course, what troubles me about all of
12 that is that's not what Hewlett Packard was buying. Oh, if
13 they were buying -- let's say I sell something and somebody
14 wants diamonds, and I say "Here's a package of diamonds. It's
15 worth \$50 million," and actually -- actually, it has something
16 else in. It doesn't have -- it has some diamonds and it has
17 some this or that or other things, and you put it all together
18 and it's 50 million. Is that a fraud? Is that a fraud?

19 **MR. HEBERLIG:** I'm not sure I follow the Court's
20 example.

21 **THE COURT:** If I go to you and you want to buy -- and
22 I say "I have \$50 million of diamonds to sell you," and you
23 say, "Great. I'll buy it. I'd like \$50 million worth of
24 diamonds. I'll give you \$50 million for it," and I give you a
25 sack, and in it are diamonds and other things, the total value

Exhibit D

Attachement B.1 in Levitske 2 compared with Attachment B in Levitske 1 (Linked Transactions)

Alleged Linked Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)		Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)		H1 2010 to H1 2011	
									Change	% Change
Revenue	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]	\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]	\$ 60.73	14.6%
Transaction #049 - FileTek, Inc	(8.50)	-	(8.50) ⁽³⁾		-	-	-			
Transaction #084 - Tottenham Hotspur Plc	-	-	-		(6.45)	-	(6.45) ⁽³⁾			
Subtotal Linked Transaction Adjustments	\$ (8.50)	\$ -	\$ (8.50)		\$ (6.45)	\$ -	\$ (6.45)			
Total Revenue Less Alleged Linked Transaction Adjustments	\$ 185.68	\$ 221.13	\$ 406.81	[B]	\$ 213.34	\$ 256.25	\$ 469.59	[B]	\$ 62.78	15.4%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30 ⁽¹⁾		\$ 39.23	\$ 48.49	\$ 87.73 ⁽²⁾			
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾		95.94	124.80	220.74 ⁽²⁾			
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[C]	\$ 135.17	\$ 173.30	\$ 308.47	[C]		
Costs and Expenses Related to Transaction #049 - FileTek, Inc	\$ -	\$ (0.38)	\$ (0.38) ^{(3)(d)}	[D]	\$ (0.58)	\$ (0.58)	\$ (1.15) ^{(3)(d)}	[D]		
Costs and Expenses Related to Transaction #084 - Tottenham Hotspur Plc	-	-	-	[E]	-	-	-	[E]		
Subtotal Linked Transaction Adjustments	\$ -	\$ (0.38)	\$ (0.38)	[F]	\$ (0.58)	\$ (0.58)	\$ (1.15)	[F]		
Total Cost of Revenues and Operating Expenses Less Alleged Linked Transaction Adjustments	\$ 121.05	\$ 143.73	\$ 264.79	[G]	\$ 134.59	\$ 172.72	\$ 307.32	[G]		
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[H = A - C]	\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[H = A - C]	\$ 17.43	11.6%
% of Corresponding Revenue			36.2%				35.2%			
Profit from Operations with Adjustments	\$ 64.63	\$ 77.40	\$ 142.02	[I = B - G]	\$ 78.75	\$ 83.53	\$ 162.27	[I = B - G]	\$ 20.25	14.3%
% of Corresponding Revenue			34.9%				34.6%			

Key:

Gray: Figures are "as reported" by Autonomy and therefore unaffected by Mr Levitske's analysis

Green: Figures used / calculated by Mr Levitske in Levitske 2 are consistent with the figures used / calculated by Mr Levitske in Levitske 1

Red: Figures used / calculated by Mr Levitske in Levitske 2 differ from the figures used / calculated by Mr Levitske in Levitske 1

Exhibit E

Attachment C.1 in Levitske 2 compared with Attachment C in Levitske 1 (VAR Transactions)

Alleged VAR Transactions (in \$mm)	Q1 2010			Q2 2010			Q1 & Q2 2010 ^(A)			Q1 2011			Q2 2011			Q1 & Q2 2011 ^(A)			H1 2010 to H1 2011				
	\$			\$			\$			\$			\$			\$			Change	% Change			
Autonomy's Reported Revenue	\$	194.18		\$	221.13		\$	415.31	⁽¹⁾	[A]	\$	219.79		\$	256.25		\$	476.04	⁽²⁾	[A]	\$	60.73	14.6%
Direct VAR Adjustments:																							
Direct VAR Transaction #020 - NSA	\$	3.50		\$	-		\$	3.50	⁽³⁾		\$	-		\$	-		\$	-	⁽³⁾				
Direct VAR Transaction #028 - IBM/Ameriprise		-			0.32			0.32	⁽³⁾			0.32			0.32			0.64	⁽³⁾				
Direct VAR Transaction #038 - Dell - Morgan Stanley		4.66			-			4.66	⁽³⁾			-			-			-	⁽³⁾				
Direct VAR Transaction #040a - Capax		-			-			-	⁽³⁾			2.26			-			2.26	⁽³⁾				
Direct VAR Transaction #046 - PMI (Discover)		(4.19)			4.19			-	⁽³⁾			-			-			-	⁽³⁾				
Direct VAR Transaction #051 - DiscoverTech - Citi 32 cells		(5.50)			-			(5.50)	⁽³⁾			-			-			-	⁽³⁾				
Direct VAR Transaction #079 a / b / c / d - Bank of America		-			-			-	⁽³⁾			0.27			0.40			0.67	⁽³⁾				
Direct VAR Transaction #082 - KPMG		-			-			-	⁽³⁾			-			2.70			2.70	⁽³⁾				
Direct VAR Transaction #089 - UBS		-			-			-	⁽³⁾			(8.00)			-			(8.00)	⁽³⁾				
Direct VAR Transaction #090 - Bank of Montreal		-			-			-	⁽³⁾			(2.88)			-			(2.88)	⁽³⁾				
Direct VAR Transaction #101 - ABBOTT LABS - dt		-			-			-	⁽³⁾			-			(8.61)			(8.61)	⁽³⁾				
Direct VAR Transaction #105 - UBS - capax		-			-			-	⁽³⁾			-			(7.66)			(7.66)	⁽³⁾				
Direct VAR Transaction #120 - Dell Hyatt - mt		-			-			-	⁽³⁾			-			(5.33)			(5.33)	⁽³⁾				
Subtotal Direct VAR Transaction Adjustments (outs)	\$	(9.69)		\$	-		\$	(9.69)		[B]	\$	(10.88)		\$	(21.61)		\$	(32.49)		[B]			
Subtotal Direct VAR Transaction Adjustments (ins)	\$	8.16		\$	4.51		\$	12.66		[C]	\$	2.85		\$	3.43		\$	6.28		[C]			
Total Direct VAR Transaction Adjustments	\$	(1.53)		\$	4.51		\$	2.98		[D = B + C]	\$	(8.03)		\$	(18.18)		\$	(26.21)		[D = B + C]			
Linked VAR Adjustments:																							
Linked VAR Transaction #045 - Capax Discovery, LLC (FSA - Capax)	\$	(4.29)		\$	-		\$	(4.29)	⁽³⁾		\$	-		\$	-		\$	-	⁽³⁾				
Linked VAR Transaction #050 - MicroTech, LLC		(11.00)			-			(11.00)	⁽³⁾			-			-			-	⁽³⁾				
Linked VAR Transaction #085 - MicroTech, LLC (Bank of America - MT)		-			-			-	⁽³⁾			(3.86)			-			(3.86)	⁽³⁾				
Linked VAR Transaction #088 - Capax Discovery, LLC (McAfee - Capax)		-			-			-	⁽³⁾			(5.00)			-			(5.00)	⁽³⁾				
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)		-			-			-	⁽³⁾			(3.60)			-			(3.60)	⁽³⁾				
Linked VAR Transaction #121 - USPS archive - mt ^(B)		-			-			-	⁽³⁾			-			(7.00)			(7.00)	⁽³⁾				
Subtotal Linked VAR Transaction Adjustments	\$	(15.29)		\$	-		\$	(15.29)		[E]	\$	(12.46)		\$	(7.00)		\$	(19.46)		[E]			
Total Revenue Less Alleged VAR Adjustments	\$	177.37		\$	225.64		\$	403.00		[F = A + D + E]	\$	199.30		\$	231.07		\$	430.37		[F = A + D + E]	\$	27.37	6.8%
Total Cost of Revenues	\$	36.08		\$	45.22		\$	81.30	⁽¹⁾		\$	39.23		\$	48.49		\$	87.72	⁽²⁾				
Operating Expenses		84.98			98.90			183.88	⁽¹⁾			95.94			124.80			220.74	⁽²⁾				
Total Cost of Revenues and Operating Expenses	\$	121.06		\$	144.12		\$	265.18		[G]	\$	135.17		\$	173.29		\$	308.46		[G]			
Costs and Expenses:																							
Linked VAR Transaction #050 - MicroTech, LLC	\$	-		\$	-		\$	-	⁽³⁾		\$	(0.36)		\$	(2.76)		\$	(3.12)	^{(3)(E)}				
Linked VAR Transaction #091 - DiscoverTechnologies, LLC (Prisa)		-			-			-	⁽³⁾			-			(2.00)			(2.00)	^{(3)(G)}				
Subtotal Linked VAR Transaction Adjustments	\$	-		\$	-		\$	-		[H]	\$	(0.36)		\$	(4.76)		\$	(5.12)		[H]			
Total Cost of Revenues and Operating Expenses Less Alleged VAR Adjustments	\$	121.06		\$	144.12		\$	265.18		[I = G + H]	\$	134.81		\$	168.53		\$	303.34		[I = G + H]			
Profit from Operations	\$	73.12		\$	77.01		\$	150.13		[J = A - G]	\$	84.62		\$	82.96		\$	167.58		[J = A - G]	\$	17.45	11.6%
% of Corresponding Revenue								36.1%										35.2%					
Profit from Operations with Adjustments	\$	56.31		\$	81.52		\$	137.82		[K = F - I]	\$	64.49		\$	62.54		\$	127.03		[K = F - I]	\$	(10.79)	-7.8%
% of Corresponding Revenue								34.2%										29.5%					

Key:

Gray: Figures are "as reported" by Autonomy and therefore unaffected by Mr Levitske's analysis

Green: Figures used / calculated by Mr Levitske in Levitske 2 are consistent with the figures used / calculated by Mr Levitske in Levitske 1

Red: Figures used / calculated by Mr Levitske in Levitske 2 differ from the figures used / calculated by Mr Levitske in Levitske 1

Exhibit F

Attachement F.1 in Levitske 2 compared with Attachment F in Levitske 1 (Multi-Period Hosting Transactions)

Multi-Period Hosting Transactions (in \$mm)	Q1 2010	Q2 2010	Q1 & Q2 2010 ^(a)			Q1 2011	Q2 2011	Q1 & Q2 2011 ^(a)			H1 2010 to H1 2011	
											Change	% Change
Revenue	\$ 194.18	\$ 221.13	\$ 415.31 ⁽¹⁾	[A]		\$ 219.79	\$ 256.25	\$ 476.04 ⁽²⁾	[A]		\$ 60.73	14.6%
Multi-Period Hosting Revenue Recognized Too Early - Net	(7.59)	(27.37)	(34.96) ⁽³⁾	[B]		(9.34)	(11.79)	(21.14) ⁽³⁾	[B]			
Total Revenue Less Multi-Period Hosting Transaction Adjustments	\$ 186.59	\$ 193.76	\$ 380.35	[C]		\$ 210.45	\$ 244.46	\$ 454.90	[C]		\$ 74.56	19.6%
Total Cost of Revenues	\$ 36.08	\$ 45.22	\$ 81.30 ⁽¹⁾			\$ 39.23	\$ 48.49	\$ 87.73 ⁽²⁾				
Operating Expenses	84.98	98.90	183.87 ⁽¹⁾			95.94	124.80	220.74 ⁽²⁾				
Total Cost of Revenues and Operating Expenses	\$ 121.05	\$ 144.12	\$ 265.17	[D]		\$ 135.17	\$ 173.30	\$ 308.47	[D]			
Costs and Expenses Related to Multi-Period Hosting Transactions	(0.97)	(3.51)	(4.48) ^(b)	[E = B * (1 - 87.19%)]		(1.20)	(1.51)	(2.71) ^(b)	[E = B * (1 - 87.19%)]			
Total Cost of Revenues and Operating Expenses Less Multi-Period Hosting Adjustments	\$ 120.08	\$ 140.61	\$ 260.69	[F]		\$ 133.97	\$ 171.79	\$ 305.76	[F]			
Profit from Operations	\$ 73.13	\$ 77.01	\$ 150.14 ⁽¹⁾	[G = A - D]		\$ 84.62	\$ 82.95	\$ 167.57 ⁽²⁾	[G = A - D]		\$ 17.43	11.6%
% of Corresponding Revenue			36.2%					35.2%				
Profit from Operations with Adjustments	\$ 66.51	\$ 53.15	\$ 119.66	[H = C - F]		\$ 76.47	\$ 72.67	\$ 149.14	[H = C - F]		\$ 29.49	24.6%
% of Corresponding Revenue			31.5%					32.8%				
Change In Profit From Operations			\$ (30.48)	[I = H - G]				\$ (18.43)	[I = H - G]			
Income Tax ⁽¹⁾⁽²⁾			(7.62) ^(c)	[J = I * 25%]				(4.79) ^(d)	[J = I * 26%]			
Impact to Cash Flow Net of Income Tax			\$ (22.86)	[K = I - J]				\$ (13.64)	[K = I - J]			
<u>Cash Flow Items</u>	<u>Less Revenue Recognized</u>		<u>Cash Flow Items</u>			<u>Less Revenue Recognized</u>		<u>Cash Flow Items</u>				
Impact Net of Income Tax			\$ (22.86)	[L = K]				\$ (13.64)	[L = K]			
Transaction #035 Cash Not Received Upfront	\$ 0.46	\$ 0.46	5.08 ^{(3)(e)}	[M]		\$ 0.44	\$ 0.44	1.13 ^{(3)(e)}	[M]			
Transaction #059 Cash Not Received Upfront			(6.70) ^{(3)(f)}	[N]				1.13 ^{(3)(f)}	[N]			
Transaction #063 Cash Not Received Upfront				[O]					[O]			
Transaction #067 Cash Not Received Upfront				[P]					[P]			
Transaction #093 Cash Not Received Upfront				[Q]			0.26	(1.63) ⁽³⁾⁽ⁱ⁾	[Q]			
Transaction #109 Cash Not Received Upfront				[R]				(4.26) ^{(3)(j)}	[R]			
Transaction #117 Cash Not Received Upfront				[S]				(2.25) ^{(3)(k)}	[S]			
Increase in Deferred (Unearned) Revenue Liability			34.96	[T = - B]				21.14	[T = - B]			
Net Impact to Cash Flows of Selected Items All Else Equal			\$ 10.48	[U = Σ(L:T)]				\$ 0.49	[U = Σ(L:T)]			
Reported Cash Flow from Operations			\$ 190.80 ⁽¹⁾	[V]				\$ 192.50 ⁽²⁾	[V]			
Change in Cash Flow as % of Reported Cash Flow			5.5%	[W = U / V]				0.3%	[W = U / V]			
Cash Flow as % of Reported Revenue			45.9%	[X = V / A]				40.4%	[X = V / A]			
Adjusted Cash Flow as % of Adjusted Revenue			52.9%	[Y = (V + U) / C]				42.4%	[Y = (V + U) / C]			

Key:

Gray: Figures are "as reported" by Autonomy and therefore unaffected by Mr Levitske's analysis

Green: Figures used / calculated by Mr Levitske in Levitske 2 are consistent with the figures used / calculated by Mr Levitske in Levitske 1

Red: Figures used / calculated by Mr Levitske in Levitske 2 differ from the figures used / calculated by Mr Levitske in Levitske 1

Blue: New metric added in Levitske 2

Exhibit G

United States

V

(1) Michael Richard Lynch
(2) Stephen Chamberlain

**Supplementary Rebuttal Report of
Steven Brice FCA**

24 April 2024

Private & Confidential

United States Attorney's Office
11th Floor, Federal Building
450 Golden Gate Avenue, Box 36055
San Francisco
California 94102

Date: 24 April 2024

Dear Sir / Madam

United States V (1) Michael Richard Lynch (2) Stephen Chamberlain

I have been instructed as an Independent Expert Accountant by the United States Attorney's Office in the matter of United States versus Dr Michael Richard Lynch and Mr Stephen Chamberlain. Dr Lynch is the former chief executive officer of Autonomy Corporation plc and Mr Chamberlain is the former vice president of finance.

I understand that my duty as an Independent Expert Accountant is to help the Court by giving independent assistance by way of objective, unbiased opinion on matters within my expertise, both in preparing reports and giving oral evidence. I understand that this duty overrides any obligation to the party by whom I am engaged or the person who has paid or is liable to pay me. I confirm that I have complied with, and will continue to comply with, that duty.

I confirm that I have not entered into any arrangement where the amount or payment of my fees is in any way dependent upon the outcome of the case. I know of no conflict of interest of any kind which would prevent me from acting in this matter.

I confirm that the contents of this supplementary rebuttal report are true to the best of my knowledge and belief and that the opinions I have expressed represent my true and complete professional opinion.

Yours faithfully



Steven Brice
Partner



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1 Introduction

1.1 My qualifications and experience

- 1.1.1 I am Steven Brice, a Partner and Head of Accounting Technical Services for Mazars LLP ("**Mazars**"), the UK firm of the Mazars Group. The Mazars Group is an international, integrated and independent organisation specialising in audit, advisory, accounting and tax services, with a direct presence in more than 95 countries drawing on the expertise of 47,000 professionals.
- 1.1.2 I am a Fellow of the Institute of Chartered Accountants in England and Wales (the "**ICAEW**") and I have over 25 years of technical accounting experience. I regularly advise clients and audit teams on the application of International Financial Reporting Standards ("**IFRS**") when preparing or auditing financial information and am routinely instructed to review financial statements for compliance with IFRS. I hold a current Practising Certificate and have Responsible Individual status for audit work within Mazars which means that I can take responsibility for audit work and sign audit reports.
- 1.1.3 Given my experience, I am routinely engaged as an expert accountant to consider matters involving the accounting treatment of particular transactions under various accounting frameworks and I have provided independent expert evidence in a number of different forums, including in the High Court of England and Wales and the International Dispute Resolution Centre in London.
- 1.1.4 Further details of my qualifications and experience are set out in my curriculum vitae in Appendix A, of my report titled "*Summary of independent expert accounting opinions of Steven Brice FCA*", submitted on 3 January 2024 (my "**Summary Report**").

1.2 Summary background and instructions

- 1.2.1 This summary report is provided in the matter of United States versus Dr Michael Richard Lynch ("**Dr Lynch**") and Mr Stephen Chamberlain ("**Mr Chamberlain**"). Dr Lynch is the former chief executive officer of Autonomy Corporation plc ("**Autonomy**"), a company that was incorporated in England and Wales¹. Mr Chamberlain is the former vice president of finance.

¹ Autonomy's major subsidiaries comprised (i) Autonomy, Inc. ("**AU Inc**"), Interwoven, Inc. ("**Interwoven**") and ZANTAZ, Inc. ("**Zantaz**"), all of which were incorporated in the United States; and (ii) Autonomy Systems Limited ("**ASL**"), a company incorporated in England and Wales



- 1.2.2 Hewlett-Packard Company ("**HP**") acquired all the outstanding shares in Autonomy on or about 3 October 2011.
- 1.2.3 According to the Superseding Indictment it is alleged that, between 2009 and 2011, Dr Lynch and Mr Chamberlain engaged in a scheme to defraud HP (as well as other purchasers and sellers of Autonomy securities) about the true financial performance of Autonomy's business, its financial condition and its prospects for growth.
- 1.2.4 I was provided with a significant volume of documents related to the above and instructed to:
- (a) review software sales transactions reported by Autonomy during the Relevant Period² as revenue, and give my opinion on whether these sales transactions were properly reported in accordance with the applicable accounting standards;
 - (b) review hardware sales transactions reported by Autonomy during the Relevant Period as revenue, and give my opinion on whether these sales were properly reported and disclosed in accordance with the applicable accounting standards;
 - (c) review the revenue streams reported by Autonomy during the Relevant Period and give my opinion on whether the description of these streams is consistent with the nature of the underlying transactions; and
 - (d) review and comment on the Summary of Independent Expert Accounting Opinions of Mr Greig Taylor ("**Mr Taylor**") dated 7 December 2023 (the "**Taylor Report**") and the Expert Report of Mr John Levitske ("**Mr Levitske**") also dated 7 December 2023 (the "**2023 Levitske Report**") in so far as it is within the scope of my expertise.
- 1.2.5 I provided a summary of my conclusions in my Summary Report^{3, 4}.
- 1.2.6 In my Summary Report I identified a number of significant concerns with the analysis performed in the 2023 Levitske Report. On 13 March 2024, Mr Levitske submitted a further report, also titled Expert Report of Mr John Levitske (the "**2024 Levitske Report**"). I have been instructed to review and comment on the 2024 Levitske Report in so far as it is within the scope of my expertise.

² Being the period from 1 January 2009 to 30 September 2011

³ Prior to issuing my Summary Report, on 8 November 2023 I had submitted an interim summary report (my "**Interim Report**")

⁴ Unless separately defined, capitalised terms in this report adopt the same definition as used in my Summary Report

- 1.2.7 In preparing this supplementary rebuttal report I have relied on the same documents as set out in the appendices to my Summary Report. Additional documents relied upon in the preparation of this supplementary rebuttal report are set out in Appendix A.

1.3 Scope of this supplementary rebuttal report

- 1.3.1 It should be noted that the work I have completed does not constitute an audit and, other than as expressly set out in this report, I have not verified or in any other way checked the information set out in the documents I have reviewed.
- 1.3.2 In completing my work, I have been assisted by individuals within the Forensic and Investigation and Accounting Technical Services teams at Mazars. I have supervised and reviewed their work and I confirm that the opinions expressed in this summary report are my own.
- 1.3.3 Mazars' fees for this engagement are not contingent on the outcome of the proceedings. Mazars is being compensated at a rate of \$693 per hour for my time and between \$39 and \$693 per hour for staff working under my direction.
- 1.3.4 I have prepared this report solely for the use in these proceedings. It is confidential in all respects other than to be used in the proceedings as appropriate. This summary report should not be used, reproduced or circulated for any other purpose without my prior written consent. Mazars accepts no responsibility to third parties in relation to the matters in this summary report and / or for any breaches of this obligation.
- 1.3.5 Some figures in this report have been rounded and as a result some tables may include rounding differences.

2 My comments on the 2024 Levitske Report

2.1 Introduction

2.1.1 I am instructed to review and provide my comments on the 2024 Levitske Report. In order to address this instruction:

- (a) I first consider the extent to which Mr Levitske has addressed the concerns I had with the analysis performed in the 2023 Levitske Report (**Section 2.2**);
- (b) I then set out the extent to which Mr Levitske's conclusions have changed in the 2024 Levitske Report, as compared to the 2023 Levitske Report (**Section 2.3**); and
- (c) Finally, I discuss new analysis performed by Mr Levitske in the 2024 Levitske Report (**Section 2.4**).

2.2 Revisions to the 2023 Levitske Report

2.2.1 In my Summary Report I was instructed to review and comment on the 2023 Levitske Report. In doing so, I identified several concerns I had with Mr Levitske's analysis. These concerns included instances where:

- (a) the figures used by Mr Levitske in his analysis did not agree to the adjustments in my Interim Report⁵;
- (b) the figures used by Mr Levitske in his analysis did not agree to the accounting treatment originally adopted by Autonomy⁶; and
- (c) I was unable to trace the figures used by Mr Levitske to any adjustment in my Interim Report⁷.

2.2.2 In the 2024 Levitske Report, Mr Levitske has revised his analysis so as to reconcile the adjustments he uses to the adjustments proposed in my Summary Report and the accounting treatment originally adopted by Autonomy.

2.2.3 However, I have a number of concerns regarding the 2024 Levitske Report, which remain unchanged from my Summary Report. For example:

⁵ Summary Report, paragraph 5.3.13(a)

⁶ Summary Report, paragraph 5.3.13(b)

⁷ See, for example, the analysis set out at paragraph 1.1.9 of Appendix M of my Summary Report



- (a) the 2024 Levitske Report makes no reference to a substantial number of adjustments to revenue that I have identified for Q3 and Q4 of 2010 and also no reference to the substantial number of adjustments to revenue that I have identified for 2009⁸;
- (b) the 2024 Levitske Report does not consider the impact of certain software Misstatements I identified in relation to advanced royalty arrangements, timing differences and valuation differences⁹; and
- (c) the 2024 Levitske Report does not place any significance on the fact that the Misstatements lead to a significant reduction in Autonomy's revenue figures¹⁰.

2.3 Revisions to the conclusions reached in the 2023 Levitske Report

- 2.3.1 Following the submission of my Summary Report, Mr Levitske submitted the 2024 Levitske Report, in which he made a number of amendments to the figures and method used in his analysis. This in turn caused some of the conclusions originally expressed in the 2023 Levitske Report to change. In Table 2A below I set out the "*Summary Conclusion*" expressed in the 2023 Levitske Report and compare it to the equivalent conclusion expressed in the 2024 Levitske Report¹¹.
- 2.3.2 Mr Levitske writes that "*All other things equal, projections of higher profits, higher expected profit margins, higher expected growth, higher expected cash and less variability are factors contributing to higher valuations*"¹². Instances where Mr Levitske concludes that the Misstatements affected Autonomy's metrics in a way which could contribute to "*higher valuations*" are highlighted in **green**, and instances where Mr Levitske's concludes that the Misstatements affected Autonomy's metrics in a way which could contribute to lower valuations are highlighted in **red**.

⁸ I discuss this further in paragraphs 5.3.3 *et seq.* of my Summary Report

⁹ I discuss this further in paragraph 5.3.18 of my Summary Report

¹⁰ I discuss this further in paragraph 5.3.6 of my Summary Report

¹¹ The comparison in this section is based solely on the "*Summary Conclusion*" section of the 2023 Levitske Report and the equivalent section of the 2024 Levitske Report. It is not intended to be an exhaustive list of all discrepancies between the 2023 Levitske Report and the 2024 Levitske Report

¹² 2024 Levitske Report, paragraph 2.1.2

Table 2A: Conclusions in the 2023 Levitske Report and the equivalent conclusions in the 2024 Levitske Report

Conclusion in the 2023 Levitske Report	Equivalent conclusion in the 2024 Levitske Report
Hardware Transactions¹³	
If the asserted hardware sales are removed along with the corresponding costs and expenses:	If the asserted Hardware sales are removed along with the corresponding costs and expenses:
Autonomy would have had higher profits and higher profit margins.	Autonomy would have had higher profits and higher profit margins.
Autonomy's revenue growth would have been higher .	Autonomy's revenue growth percentage would have been higher .
Autonomy's cash flow would likely have been higher .	Autonomy's cash flow would likely have been higher .
Alleged Linked Transactions¹⁴	
If the revenues for linked transactions are removed along with corresponding costs and expenses:	If the revenues for linked transactions are removed along with corresponding costs and expenses:
Autonomy would have had higher profits and higher profit margins.	Autonomy would have had slightly lower profits and profit margins.
Autonomy's revenue growth would have been higher .	Autonomy's revenue growth would have been higher .
Autonomy's cash flow would likely have been higher .	Autonomy's cash flow would likely have been higher .
VAR Transactions¹⁵	
If the revenues and expenses for VAR transactions are removed along with the corresponding costs and expenses:	If the revenues for VAR transactions are adjusted (without incorporating Mr Levitske's Direct VAR Transactions normalization adjustment) or removed along with the corresponding costs and expenses:
Autonomy would have had lower profits.	Autonomy would have had lower profits [...]
Autonomy would have had and a higher profit margin in the First Half of 2010 and a lower profit margin in the First Half of 2011.	Autonomy would have had [...] lower profit margins.
Autonomy's revenue growth would have been lower .	Autonomy's revenue growth would have been lower .
Autonomy's cash flows would likely have been higher .	Autonomy's cash flow would likely have been reduced .

¹³ 2023 Levitske Report, paragraph 3.1.2; 2024 Levitske Report, paragraph 3.1.3¹⁴ 2023 Levitske Report, paragraph 3.1.3; 2024 Levitske Report, paragraph 3.1.4¹⁵ 2023 Levitske Report, paragraph 3.1.4; 2024 Levitske Report, paragraph 3.1.5

All financial statement analysis adjustments to revenues, costs of revenues and expenses [...] related income tax and deferred (unearned) revenue items ¹⁶ .	
Although <u>total revenue and total profit from operations, after adjustments, are less¹⁷</u> in each of the Subject Period:	Although <u>total revenue and total profit from operations, after adjustments, are less¹⁸</u> in each of the Subject Period:
The cash flow during the First Half of 2010 is increased .	The cash flow in H1 2010 is higher .
The cash flow during the First Half of 2011 is increased .	The cash flow during H1 2011 is decreased .
In total, the amount of cash flow for combined First Half of 2010 and First Half of 2011 is increased .	In total, the amount of cash flow for combined H1 2010 and H1 2011 is decreased .
The year-over-year percentage change for revenues (growth), after adjustments is greater .	The year-over-year percentage change for revenues (growth), after adjustments is similar ^[19] to values based upon the originally reported amounts.
The profit margin percentage change for the First Half of 2010 and the First Half of 2011 are both greater .	No equivalent written conclusion (Per Attachment G.1. to the 2024 Levitske Report, the profit margin percentage for the First Half of 2010 and the First Half of 2011 are both lower).
The year-over-year percentage change for profit from operations (growth), after adjustments is similar .	The year-over-year percentage change for profit from operations (growth), after adjustments is lower than based upon the originally reported amounts.

2.3.3 In summary, in the 2024 Levitske Report, Mr Levitske has changed many of the conclusions he initially expressed in the 2023 Levitske Report. Moreover, in each instance where Mr Levitske has changed his conclusion, the conclusion has changed from one where the amended financial statement metric could be a “*factor[s] contributing to higher valuations*” to one where the financial statement metrics could be a factor which contributes to a lower valuation.

2.4 Additional analysis included in the 2024 Levitske Report

2.4.1 In this section I address the analysis Mr Levitske performs in the 2024 Levitske Report which was not performed in the 2023 Levitske Report. Specifically, I address:

¹⁶ 2023 Levitske Report, paragraph 3.1.10 d) i); 2024 Levitske Report, paragraph 3.1.12 d) i)

¹⁷ My emphasis

¹⁸ My emphasis

¹⁹ Per Attachment G.1. to the 2024 Levitske Report, the year-over-year percentage change for revenues (growth), after adjustments is actually **lower** than the originally reported amounts



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- (a) Mr Levitske's inclusion of the metric "*Cash flows as a percentage of revenue*". The 2023 Levitske Report made no reference to "*Cash flows as a percentage of revenue*" as being a metric that was relevant to a financial statement analysis; and
- (b) Mr Levitske's inclusion of a "*Normalization Adjustment*", which reduces the financial impact of the Direct VAR Transactions in H1 2011. The 2023 Levitske Report made no reference to "*Normalization Adjustment*".

The 2024 Levitske Report now includes the metric "*Cash flows as a percentage of revenue*"

- 2.4.2 In the 2023 Levitske Report, Mr Levitske noted that "*All other things equal, projections of higher profits, higher expected profit margins, higher expected growth, higher expected cash and less variability are factors contributing to higher valuations*"²⁰. These were the metrics that Mr Levitske calculated in the 2023 Levitske Report, and they formed the basis of his conclusions in that report. As set forth below, Mr Levitske's conclusions with respect to these metrics has changed in the 2024 Levitske Report.
- 2.4.3 It is now Mr Levitske's conclusion that, considered together, the Hardware Transactions, Alleged Linked Transactions, VAR Transactions and Multi-Period Hosting Transactions identified in my Summary Report resulted in²¹:
- (a) lower "*total revenue and total profits from operations*" in H1 2010 and H1 2011 (in total);
 - (b) lower profit margins²²;
 - (c) lower "*cash flow for combined H1 2010 and H1 2011*";
 - (d) lower "*year-over-year percentage change for revenues (growth)*" between H1 2010 and H1 2011²³; and
 - (e) lower "*year-over-year percentage change for profit from operations (growth)*".
- 2.4.4 In footnote 4 of the 2024 Levitske Report, Mr Levitske writes "*higher cash flows as a percentage of revenue indicates greater efficiency as a cash flow generating operation and is*

²⁰ 2024 Levitske Report, paragraph 2.1.2

²¹ 2024 Levitske Report, paragraph 3.1.12 d) i)

²² 2024 Levitske Report, Attachment G.1. Whilst calculated in Attachment G.1 to the 2024 Levitske Report, Mr Levitske does not separately identify in his "*Summary Conclusion*" that the Misstatements would reduce Autonomy's reported profit margin in H1 2010 and H1 2011

²³ Whilst Mr Levitske describes the "*year-over-year percentage change for revenues (growth)*" when my Misstatements are included as being "*similar*" to those originally reported by Autonomy, Appendix G.1 to the 2024 Levitske Report confirms that the "*year-over-year percentage change for revenues (growth)*" did fall as a consequence of the Misstatements

a factor that contributes to higher valuation". "Cash flow as a percentage of revenue" is a new analytical measure neither referred to nor calculated in the 2023 Levitske Report.

- 2.4.5 I am unaware of why Mr Levitske determined that it was necessary or appropriate to calculate "Cash flow as a percentage of revenue" in the 2024 Levitske Report. I note however that per the 2024 Levitske Report, the Hardware Transactions, Alleged Linked Transactions, VAR Transactions and Multi-Period Hosting Transactions identified in my Summary Report did cause the "cash flow as a percentage of revenue" to be higher than originally reported by Autonomy²⁴, unlike the analytical measures identified in the 2023 Levitske Report.
- 2.4.6 "Cash flow as a percentage of revenue" is calculated as an entity's cash flow divided by its revenue. All else being equal, reducing revenue would therefore lead to a higher "Cash flow as a percentage of revenue". As such, I do not consider it surprising that, considered together, the Hardware Transactions, Alleged Linked Transactions, VAR Transactions and Multi-Period Hosting Transactions (which significantly reduced revenue) would result in a higher "cash flow as a percentage of revenue".

The 2024 Levitske Report now includes a "Normalization Adjustment"

- 2.4.7 In paragraph 2.1.20 f) ii) of the 2024 Levitske Report Mr Levitske writes "*much or all of the impact of these asserted revenue adjustments to Direct VAR Transactions^[25] are offset in the near term*". In Table 1 thereafter, Mr Levitske calculates that, on average, the "% of Revenue Realized" on Direct VAR Transactions was 62.9%²⁶.
- 2.4.8 Mr Levitske continues that "*From an analytical perspective, the data also indicates that the Brice Reports' asserted adjustment pertaining to H1 2011, a net revenue reduction of approximately \$26 million, appears to be an outlier in size (amount) and high in comparison to the average all periods realization rate for these same transactions. Applying the [62.9% " % of Revenue Realized" calculated in Table 1 of the 2024 Levitske Report] to the Brice Report's asserted adjustment for H1 2011 would indicate a net revenue reduction adjustment in H1 2011 of only approximately \$9.7 million, instead of \$26 million*"^{27, 28}. Mr Levitske refers

²⁴ 2024 Levitske Report, paragraph 3.1.12 d) i)

²⁵ "Direct VAR Transactions", as defined by Mr Levitske, are those Misstatements where Mr Levitske has identified that "Autonomy allegedly entered into a transaction with the named end user in a subsequent period to sell the same or similar software for the same or similar amounts of revenue, then cancelled the amounts owed by the VAR in the original transaction". 2024 Levitske Report, paragraph 2.1.17. I note that Mr Levitske's "Direct VAR Transactions" also include transactions where Autonomy did not enter into any transaction with the named end user, and the amounts owed by the VAR were subsequently cancelled. When discussing Mr Levitske's analysis, I have adopted his definition of what constitutes "Direct VAR Transactions"

²⁶ Being the "Revenue Realized from Agreement with the End User" in relation to a Direct VAR Transaction divided by the "Revenue from Initial Agreement with the VAR"

²⁷ 2024 Levitske Report, paragraph 2.1.20 f) iii)

²⁸ Mr Levitske's calculation of \$9.7 million is simply the net "Asserted Adjustment from Brice Report" (\$26.21m) less the assumed "average realization rate" of 62.9% (\$26.21 million less (\$26.21 million * 62.9%) = \$9.7 million)



to his reduction in the Misstatements related to Direct VAR Transactions in H1 2011 as a **“Normalization Adjustment”**.

2.4.9 As a primary observation I note that Mr Levitske did not consider that a “Normalization Adjustment” was necessary or appropriate when performing his analysis of the financial performance of Autonomy in the 2023 Levitske Report.

2.4.10 Notwithstanding this general observation above, I have a number of specific concerns with Mr Levitske’s calculation, or use of, his “Normalization Adjustment”. These are:

- (a) I disagree that the Misstatements arising from Direct VAR Transactions in H1 2011 was an *“outlier in size”*²⁹, and therefore disagree that the use of a “Normalization Adjustment” could be justified with reference to such an assertion;
- (b) Mr Levitske’s “Normalization Adjustment” ignores the reality of the Direct VAR Transactions I have identified;
- (c) Mr Levitske’s calculation of his “Normalization Adjustment” contains inaccurate data; and
- (d) Mr Levitske’s calculation of his “Normalization Adjustment” inappropriately excludes a number of Direct VAR Transactions which occurred during the Relevant Period.

I disagree that the value of the Misstatements arising from Direct VAR Transactions in H1 2011 was an “outlier in size”

2.4.11 One of the reasons Mr Levitske provides in support of his use of a “Normalization Adjustment” is that the Misstatements arising from Direct VAR Transactions in H1 2011 *“appears to be an outlier in size (amount) and high in comparison to the average all periods realization rate for these same transactions”*³⁰.

2.4.12 I disagree with Mr Levitske’s view that the value of the Misstatements arising from Direct VAR Transactions in H1 2011 was an outlier in size. As a primary observation, Mr Levitske only analyses two half year periods (H1 2010 and H1 2011), and in my opinion it is inappropriate to conclude that something is an *“outlier”* when compared to only one other data point.

2.4.13 Indeed, if one considers the net value of the Misstatements arising from all Direct VAR Transactions in H2 2010, it becomes apparent that H1 2011 was not an outlier at all, but was in fact highly consistent with the previous half year. This is shown in Table 2B below:

²⁹ 2024 Levitske Report, paragraph 2.1.20 f) iii)

³⁰ 2024 Levitske Report, paragraph 2.1.20 f) iii)



Table 2B: Misstatements arising from Direct VAR Transactions in H2 2010 compared to H1 2011³¹

Transactions	Q3 2010	Q4 2010	H2 2010	Q1 2011	Q2 2011	H1 2011
	\$m	\$m	\$m	\$m	\$m	\$m
#028 – IBM/Ameriprise	0.32	0.32	0.64	0.32	0.32	0.64
#040a – Capax	-	3.04	3.04	2.26	-	2.26
#051 – DiscoverTech - Citi 32 cells	5.00	-	5.00	-	-	-
#062 – Poste Italiane - Cyber Crime	(2.42)	-	(2.42)	-	-	-
#065 – Amgen	(9.00)	-	(9.00)	-	-	-
#079a – discover tech baml	-	(7.00)	(7.00)	-	-	-
#079b – capax baml	-	(1.67)	(1.67)	-	-	-
#079c – BAML extra	-	(3.50)	(3.50)	-	-	-
#079d – Bank of America	-	-	-	0.27	0.40	0.67
#080 – MicroTech doi	-	(4.00)	(4.00)	-	-	-
#082 – KPMG	-	(6.00)	(6.00)	-	2.71	2.71
#089 – UBS	-	-	-	(8.00)	-	(8.00)
#090 – Bank of Montreal	-	-	-	(2.89)	-	(2.89)
#101 – ABBOTT LABS - dt	-	-	-	-	(8.61)	(8.61)
#105 – UBS - capax	-	-	-	-	(7.67)	(7.67)
#120 – Dell Hyatt - mt	-	-	-	-	(5.33)	(5.33)
Total	(6.10)	(18.81)	(24.91)	(8.04)	(18.18)	(26.22)

2.4.14 Table 2B above shows that the value of Misstatements arising from “*Direct VAR Transactions*” in H1 2011 (totalling \$26.22 million) was only 5.2% higher than the value of Misstatements arising from “*Direct VAR Transactions*” in H2 2010 (totalling \$24.91 million).

2.4.15 I therefore disagree with Mr Levitske’s claim that the value of Misstatements arising from Direct VAR Transactions in H1 2011 was an “*outlier in size*” which justified the inclusion of a “Normalization Adjustment”.

Mr Levitske’s “Normalization Adjustment” ignores the reality of the Misstatements

2.4.16 Mr Levitske’s “Normalization Adjustment” effectively seeks to give credit for the possibility that, sometime after H1 2011, Autonomy would be able to recognise revenue associated with the Direct VAR Transactions entered into in H1 2011, for example via a direct sale by Autonomy to the end user. In total, Mr Levitske’s calculation determines that of \$32.49 million of “*Direct VAR Transactions*” entered into in H1 2011, it would be appropriate to assume that Autonomy would eventually generate revenues of \$20.45 million³². As such, Mr Levitske only

³¹ My Summary Report, Appendix F

³² 2024 Levitske Report, Table 2

adjusts \$12.04 million³³ of revenue in relation to Direct VAR Transactions entered into in H1 2011³⁴.

2.4.17 However, Table 1 of the 2024 Levitske Report shows the “*Revenue Realized from Agreement with End User Through Q4 2011 (Ins)*”. This table shows that, per Mr Levitske’s analysis, Autonomy would have only ever generated revenues of \$16.47 million³⁵ from entering into agreements with end users in relation to Direct VAR Transactions entered into in H1 2011. As such Mr Levitske’s “Normalization Adjustment” gives Autonomy “credit” for c.\$4 million of revenue that it did not, and would never, earn, even under his own analysis.

2.4.18 This largely is because Mr Levitske’s “Normalization Adjustment” assumes that Direct VAR Transactions #101 and #120 would achieve a 62.9% “% of Revenue Realized”, despite both transactions being cancelled and not generating any revenue.

Mr Levitske’s calculation of the “Normalization Adjustment” contains inappropriate assumptions

2.4.19 Table 1 of the 2024 Levitske Report sets out Mr Levitske’s “*Summary of Direct VAR Revenue Realized Q1 2009 – Q4 2011 (in \$mm)*”. It is from this summary that Mr Levitske calculates that Direct VAR Transactions had an “*average all periods realization rate*” of 62.9%.

2.4.20 In his analysis, Mr Levitske includes “*Direct VAR Transaction #089 – UBS*”³⁶ and “*Direct VAR Transaction #105 – UBS – Capax*”³⁷, and states that the “*Revenue Realized from Agreement with the End User Through Q4 2011 (Ins)*” for these transactions (considered together) was \$13.59 million. As such, Mr Levitske’s calculates that “% of Revenue Realized” on these two transactions was 86.7%, an assumption which feeds into his “Normalization Adjustment” of 62.9%.

2.4.21 In Q3 2011, Autonomy and UBS did enter into a contract which had a total value of \$13.59 million (which I refer to as the “**Q3 2011 Direct UBS Deal**” in Appendix F³⁸ to my Summary Report). The software sold pursuant to the Q3 2011 Direct UBS Deal was set out in the contract “*Software, Hardware, Maintenance (Software and Hardware), Training Implementation, Migration and Enhanced Support Managed Services (Monitoring and Administration)*”, and included, *inter alia*, a licence for the “*Autonomy Consolidated Archiving*

³³ 2024 Levitske Report, Table 2, difference between Mr Levitske’s “*H1 2011 Out*” as “*Asserted Adjustment from Brice Report*” (\$32.49m) less the “*Asserted Net Adjustment Times Average Realization*” (\$20.45m). \$32.49m less \$20.45m is \$12.04m

³⁴ Which Mr Levitske refers to as “*H1 2011 Out*”

³⁵ Being the “*Revenue Realized from Agreement with the End User Through Q4 2011 (Ins)*” for the Direct VAR Transactions #090, #101, #089, #105 and #120. \$2.88m + \$13.59m = \$16.47m

³⁶ A transaction where Autonomy recognised revenue of \$8.0m in Q1 2011

³⁷ A transaction where Autonomy recognised revenue of \$7.66m in Q2 2011

³⁸ Summary Report, Appendix F, Software Focus Transactions SW-11-089 and SW-11-105

(ACA)” software, to be used in the capture and preservation of “*email, chat, Bloomberg and IM, and SMS*” within an “*Appliance*”. The “*Appliance*” itself comprised hardware with a value of \$5.75 million that Autonomy sold to UBS under the same agreement, which would be deemed to have been “*accepted*” by UBS “*upon UBS’ having the system installed in the specified location and upon the system in a live production running error free in accordance with its Specifications for a period of ten (10) business days*”³⁹.

2.4.22 In my opinion, the terms of the Q3 2011 Direct UBS Deal suggest that the commercial effect of the software that Autonomy was selling to UBS could not be understood without reference to the “*Appliance*” as a whole, in which case the elements of the “*Appliance*” should be accounted for together. The hardware element of the “*Appliance*” had a significant installation element, and acceptance was delayed until the installation was complete, and as such the recognition of revenue should have been deferred until the installation of the “*Appliance*” was complete⁴⁰.

2.4.23 Moreover, on 22 May 2013 Autonomy and UBS entered into a subsequent agreement, titled “*Settlement Agreement and Release*”⁴¹. The “*Settlement Agreement and Release*” explained that:

*“UBS and Autonomy entered into [the Q3 2011 Direct UBS Deal] for the eCAMS system (“Project”), in which it was agreed that Autonomy would deliver a System (as defined therein) to UBS and provide Services with respect thereto (as defined therein) [...] A dispute has arisen between UBS and Autonomy concerning the interpretation and delivery of the System under the Project Agreement (the “Dispute”) [...]”*⁴².

2.4.24 In summary, pursuant to the “*Settlement Agreement and Release*”, the Q3 2011 Direct UBS Deal was cancelled, and Autonomy agreed to pay UBS a “*Termination Sum*” of \$8.00 million⁴³.

2.4.25 In this regard I also note the analysis of Christopher Yelland (“**Mr Yelland**”, the Chief Financial Officer of Autonomy from 2012), set out in his analysis “*Summary of Revenue Adjustments (Detailed) – 2009 to October 2011*”⁴⁴, as backed up by the working spreadsheet “*Working papers*”⁴⁵. Mr Yelland’s analysis extended to Q3 2011, and therefore included a consideration of the Q3 2011 Direct UBS Deal. Per Mr Yelland’s analysis, the Q3 2011 Direct UBS Deal

³⁹ HP-SEC-01924022

⁴⁰ See sections 2.6 and 2.9 of my Summary Report

⁴¹ HP-SEC-01928579

⁴² HP-SEC-01928579

⁴³ Between 3 February 2012 and 4 June 2012, UBS paid Autonomy \$7.44 million in relation to the Q3 2011 UBS Direct Deal (HP-SEC-01928408)

⁴⁴ Ex. 2641; HP-SEC-02166029

⁴⁵ HP-SEC-02141251



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“should not have been recognised as the hardware was not delivered until 2012. AS this was an appliance sale, the software could not be delivered without the hardware”⁴⁶.

- 2.4.26 Given the above observations, it does not seem reasonable for Mr Levitske to have calculated his “Normalization Adjustment” using an assumption that the “% of Revenue Realized”⁴⁷ by Q4 2011 on Direct VAR Transactions #089 and #105 was 86.7%.

Mr Levitske’s “Normalization Adjustment” ignores Direct VAR Transactions which occurred in Q1 to Q4 2009 or Q3 to Q4 2010

- 2.4.27 Mr Levitske’s “Normalization Adjustment” is drawn from the data set out in Table 1 of the 2024 Levitske Report, which describes itself as presenting a “*Summary of Direct VAR Revenue Realized Q1 2009 – Q4 2011*”. However, Table 1 of the 2024 Levitske Report does not include all of the Direct VAR Transactions entered into between Q1 2009 and Q4 2011; instead, Table 1 only presents the Direct VAR Transactions where the adjustment I proposed had a financial impact on H1 2010 or H1 2011. As such, Direct VAR Transactions which did not have a financial impact on those periods (because, for example, the original Direct VAR Transaction was in H2 2009 and the eventual direct deal with the end user was in H2 2010) are not included in Table 1, and are consequently excluded from Mr Levitske’s calculation of the “Normalization Adjustment”.
- 2.4.28 If, as I understand to be the case, the purpose of Mr Levitske’s “Normalization Adjustment” is to determine the “% of Revenue Realized” on an “average” Direct VAR Transaction, it is my opinion that the calculation should be based upon an analysis of all Direct VAR Transactions. In Table 2C below I have therefore augmented Mr Levitske’s analysis to show how his “Normalization Adjustment” is impacted by the inclusion of all Direct VAR Transactions entered into between Q1 2009 and Q4 2011:

⁴⁶ HP-SEC-02141251; “Working papers.xlsx”, tab “US deal adjustments”, cell K198. Cell Q198 explains further “License revenue was recognised in Au Inc in Q3 2011, prior to delivery of the appliance. This should have been deferred. In 2012 no revenue should have been recognised as the project was in difficulties. Contract may terminate in 2013”

⁴⁷ Using Mr Levitske’s calculation



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Table 2C: "Table 1" in the 2024 Levitske Report updated to include all Direct VAR Transactions from Q1 2009 to Q2 2011

Quarter of VAR transaction	Transactions	Revenue from Initial Agreement with the VAR (Outs)	Revenue Realized from Agreement with the End User Through Q4 2011 (ins)	% of Revenue Realized
		\$m	\$m	
Q2 2009	#017 - Integracion	(3.00)	-	0.0%
Q2 2009	#020 - NSA	(4.76)	3.50	73.5%
Q3 2009	#026 - Kraft	(4.00)	4.00	100.0%
Q3 2009	#028 - IBM/Ameriprise	(3.83)	2.25	58.7%
Q4 2009	#038 - Dell - Morgan Stanley	(4.66)	4.66	100.0%
Q4 2009	#040a - Capax	(5.99)	5.30	88.5%
Q4 2009	#043 - Poste Italiane	(2.25)	-	0.0%
Q1 2010	#046 - PMI	(4.19)	4.19	100.0%
Q1 2010	#051 - DiscoverTech - Citi 32 cells	(5.50)	4.98	90.5%
Q3 2010	#062 - Poste Italiane - Cyber Crime	(2.42)	-	0.0%
Q3 2010	#065 - Amgen	(9.00)	-	0.0%
Q4 2010	#079 a / b / c / d - Bank of America	(12.20)	1.48	12.1%
Q4 2010	#080 - MicroTech doi	(4.00)	-	0.0%
Q4 2010	#082 - KPMG	(6.00)	2.70	45.0%
Q1 2011	#090 - Bank of Montreal	(2.88)	2.88	100.0%
Q2 2011	#101 - ABBOTT LABS - dt	(8.61)	-	0.0%
Q1 2011	#089 - UBS	(8.00)	See #089 and #105	
Q2 2011	#105 - UBS - capax	(7.66)	See #089 and #105	
	#089 & #105	See #089 and #105	13.59	86.8%
Q2 2011	#120 - Dell Hyatt - mt	(5.33)	-	0.0%
	Total	(101.28)	49.53	
	Mean			47.5%
	Median			58.7%

2.4.29 Table 2C above shows that if updated to include all Direct VAR Transactions where I identified a Misstatement, Mr Levitske's "Normalization Adjustment" falls from 62.9% to 47.5%.

2.4.30 In paragraphs 2.4.19 *et seq.* above I explain that, in my opinion, it is incorrect for Mr Levitske to have calculated his "Normalization Adjustment" using an assumption that the "% of Revenue Realized"⁴⁸ by Q4 2011 on Direct VAR Transactions #089 and #105 was 86.7%. If the "% of Revenue Realized" on Direct VAR Transactions #089 and #105 was reduced to nil, the "Normalization Adjustment" calculated in Table 2C above would reduce further to 42.7%.

⁴⁸ Using Mr Levitske's calculation



Conclusion on Mr Levitske's "Normalization Adjustment"

2.4.31 In paragraphs 2.4.16 *et seq.* above I explain that Mr Levitske's "Normalization Adjustment" ignores the reality of the Misstatements I have identified, and in paragraph 2.4.11 *et seq.* I explain that the "Normalization Adjustment" proposed by Mr Levitske cannot be justified through an assertion that the Direct VAR Transactions in H1 2011 were an "*outlier in size*". In light of these observations, I do not consider that any "Normalization Adjustment" should be included in the financial statement analysis performed by Mr Levitske. Notwithstanding this conclusion, for the reasons explained in paragraphs 2.4.19 *et seq.* and 2.4.27. *et seq.* above, it is my opinion that Mr Levitske's "Normalization Adjustment" is, in any event, overstated by as much as c.20%.

Appendix A: Documents I have used in the preparation of this report⁴⁹

Document	Date	Reference
"Supply Order No. 1: Software, Hardware, Maintenance (Software and Hardware), Training, Implementation, Migration and Enhanced Support Managed Services (Monitoring and Administration)" between Autonomy and UBS	20 June 2011	HP-SEC-01924022
"Activity Report by Customer"; UBS AG	From 1 January 2000 through 31 July 2012	HP-SEC-01928408
"Settlement Agreement and Release"	22 May 2013	HP-SEC-01928579
"Summary of Revenue adjustments – 2009 to October 2011"	Undated	HP-SEC-01693507
"Working papers"	Undated	HP-SEC-02141241

⁴⁹ In addition to those documents listed in the appendices to my Summary Report